

The Hardest Sell: Free Trade Collides With Protectionism

By Reginald Dale

International Herald Tribune
The cause of free trade has probably never had as many advocates as it does today. Yet in many areas around the world, it is under threat from protectionist forces.

Last week, 103 countries representing most of the non-Communist world met in Montreal to try to give new impetus to the international drive to open markets and expand world trade. All of them believed, or said they believed, that their best interests would be served by free trade.

Nearly all of them called for determined new efforts to thwart protectionism.

"Either we move ahead resolute-

ly to hit back at the first sign of protectionism, real or imagined, the free trade forces had hoped for the opposite signal from Montreal.

In much of the world, particularly in the booming, export-led economies of East Asia, there is a widespread concern that the Americans and Europeans could be tempted to form defensive, regional blocks.

Japan, in particular, suspects that the European Community's single market after 1992 could, despite good intentions, become a "Fortress Europe" that would at least partly exclude competitors.

Last month Japanese officials were shocked by a demand from Karl-Heinz Narjes, a vice president of the EC Commission, that Japan pay retroactive compensation to European exporters for having kept them out of its markets for years.

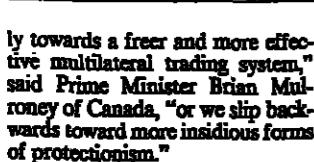
Although Mr. Narjes' comments were quickly disowned by his colleagues in Brussels, the outcry that followed showed how jittery the Japanese have become about European trade policies.

Other signals have come from France, where Defense Minister Jean-Pierre Chevènement last month attacked the idea of a free-trading Europe that is open to its commercial partners, and called for new customs duties — already under consideration in Brussels — on imports of military equipment.

With France fighting to restrict imports of Japanese cars made in Britain, Jacques Calvet, the head of Peugeot SA, called recently for a tightening of such controls. Unless Europe takes a strong and united stand to protect its auto industry,

With mutual suspicion so intense around the world, and each trader

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First in a series of articles

ly towards a freer and more effective multilateral trading system," said Prime Minister Brian Mulroney of Canada. "or we slip backwards toward more insidious forms of protectionism."

But the officials ignored their own warnings and let the Montreal talks collapse. Unless they can get the locomotive of free trade on track again in the coming months, the "slip backwards" may already have begun.

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Regionalism Is Eroding Central Power in China

By Nicholas D. Kristof

New York Times Service
BEIJING — Nearly four decades after the Chinese Communist Party abolished local fiefdoms and united China under a strong central government, the country is again facing a serious challenge from regions that compete with each other and ignore commands from Beijing.

Even the Chinese authorities acknowledge that, in an incalculable and perhaps irreversible consequence of the country's 10-year-old policy of change, the central government has lost power to the provinces.

This new regionalism is fundamentally changing the way China operates and is one reason for China's economic retrenchment of the last few months.

"China today is divided into more than 20 independent kingdoms and more than 2,000 fiefdoms," the officially sponsored China Economic News warned last

month in a front-page commentary, referring to the provinces and countries.

A Japanese diplomat in Beijing said of the regionalism, "It's the most serious problem the Chinese leadership is facing today."

The economic liberalization of the last decade has been a tremendous boost to China's standard of living, but it has also meant that the central government simply lost control over parts of the economy.

This year, partly because of profligate capital spending by local authorities, industrial growth is running about 20 percent instead of the planned 3 percent. And money supply growth will be close to 50 percent instead of the planned 17 percent.

The government is trying to reassert control, but it will be a struggle. Last month, for example, Beijing announced that to save scarce resources, manufacturers of soft drink cans must immediately cease production. More than 1,400 miles (2,200 kilometers) to the south, in Guangdong Province, the order does not appear to be enforced.

"We're continuing to make the cans," a manager of the Three Waters Soft Drink Can Co. said.

Qiao Shi, one of the Communist Party's senior leaders, fumed in a recent report: "Some localities and departments, disregarding orders from the center, have gone on their own way. They blindly vie with each other to build office buildings, auditoriums and guest houses, they have continued to expand the scale of unbudgeted construction projects, indulge in extravagance and waste, and indiscriminately distribute presents and bonuses."

If the regionalism problem is not corrected, Mr. Qiao continued, "the entire nation will then be in chaos."

On the narrow road from Jiangxi Province into Shanghai, amid a mayhem of bicycles and cars and livestock, an inspection center at the provincial border.

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ISLAMABAD, Pakistan (Reuters) — Kabul radio said on Sunday that Pakistani jets shot down an Afghan transport plane in eastern Afghanistan, killing 25 people. No Pakistani comment was immediately available.

Kabul radio said the plane was attacked by Pakistani Air Force planes on Saturday night as it flew from the border town of Khost in Paktia Province to the capital, Kabul.

Kiosk

Plane Downed, Afghans Say

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Kiosk

MONDAY Q&A

Mitsuo Sato, managing director of the Tokyo Stock Exchange, discusses fundamental changes in the Japanese market.

Kiosk

General News

In the U.S. tax debate, talk of shifting the burden.

Kiosk

Business / Finance

Daewoo offered to sell five subsidiaries to save its shipbuilding unit.

Kiosk

Personal Investing

Investors, concerned about the U.S. deficit, are cautious on U.S. markets.

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Western embassies and UN agencies now are asking themselves the hard question on whether to remain indefinitely or to close down before the scheduled deadline for the completion of the Soviet troop withdrawal on Feb. 15. Among the possibilities of what might follow the removal of the Soviet Army, which has ironically become the main guarantee of stability as exists in this jittery capital, total chaos looms large.

Officials at embassies note that virtually all visa applicants are from Kabul. But on Nov. 30, a Wednesday, the only day of the week on which visa seekers were received, their number rose to 27, and there were not enough staff members to handle the crowd. At the beginning of the year, the weekly total had averaged five.

Western embassies, too, have either stopped issuing visas or are considering doing so. The crowds of those who would like to leave have become too large for the remaining embassy staff.

Diplomats said that most of the visa applicants were not would-be refugees but people who would like to wait out the next few months in a safe place before deciding where their future lies.

Last week the U.S. Embassy, down to 14 people rattling around a large, mostly empty building and including Marine guards and communications technicians, stopped accepting visa requests.

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The Only Way Out of Kabul Is Up

By Henry Kamm

New York Times Service

KABUL, Afghanistan — In a city that fears the future, the privileged few, those who have the money for an air ticket, are looking for ways out. The exit options have been reduced to one — a place on one of five weekly flights, heavily overbooked, to New Delhi.

One day recently, the Indian ambassador had to go out on the street in front of his chancery to calm the large, nervous crowd of visa seekers that had been gathering there daily. Afghan soldiers sometimes with fixed bayonets, were keeping their fellow citizens in line.

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In Leninakan, a Frantic Search for Signs of Life

By Robin Lodge

Reuter

LENINAKAN, U.S.S.R. — The cries for help from beneath the rubble have almost stopped and the smell of decomposing bodies fills the air in Leninakan.

Four days after the earthquake, coffins are stacked along the streets of what used to be a city of 290,000 people, waiting for the bodies dug out of the debris.

Half the city, the second largest in the republic of Armenia, is a heap of rubble and twisted metal. About 120 large apartment buildings have all but disappeared.

A nine-story building close to Leninakan's central square is now a 12-meter-high (40-foot-high) mound of rubble and twisted steel. Remnants of clothing, curtains and mattresses dangle grotesquely in the air.

"Over there near the top, they found seven people alive," said one man, his eyes red-rimmed with exhaustion. "They are going to get them out now." Fifty people

were poking frantically at the top of the pile.

The faint voice of a woman could be heard, from deep in the rubble, many with the help of foreign rescue teams and search dogs. But the number being saved has dwindled.

"One rescuer said, 'Until yesterday we could still hear voices; now, nothing.'

Hundreds of people were still climbing over the debris, tugging with bare hands at chunks of concrete, steel girders and splintered timbers in attempts to reach anyone who might still be alive.

"T've been working here solidly for all five days," said Anton Saksikyan, a crane operator. "In that time we've brought out 23 people alive. I don't want to talk about how many bodies, but there were 280 people in this building."

From the ruins behind him, smoke billowed from underground fires, adding an acrid smell to the odor of corpses.

Rescuers, many of them overcoming personal grief, said their equipment was inadequate and that they had not been properly organized.

"Things are a bit better now but at the beginning there was nothing — no cranes, no cutting gear, no lights, nothing," said Lenik Yeremyan, who was leading a team of volunteers. "Just 60 people standing up there and yelling at each other."

Since the disaster, 150 cranes have been brought in to the city, but most appeared too small to do more than nibble at the mountains of shattered masonry.

A UN relief official, Sverre Kilde, described rescue work as chaotic, but said this was to be expected.

"You have to remember," he pointed out, "that many of the

people joining the rescue operation are also the victims."

Leninakan's mayor, Emile Kirakosyan, said he had lost his entire family of 15. "I have no home or family," he said, his voice breaking. "My wife, grandsons, everyone. They're all gone. I must just keep working."

Residents said there had been three or four major shocks. The first, and strongest, lasted about two minutes.

"There was a loud humming noise," Gework Shakhnazarov said. "Then steam burst out of the ground, buildings began to rock like boats and it was as though the earth was boiling."

"I have been shaken by everything I have seen in these two days," Mr. Gorbachev said on Soviet television. "It is simply difficult to bear this in human terms. It is unbearable."

Meanwhile, in an interview in Yerevan, the Armenian capital, Mr. Gorbachev assailed those who would use the dispute between Armenia and Azerbaijan over the region of Nagorno-Karabakh "for their unseemly purposes."

"Everyone must know what kind of people they are," he said. "They are bursting with seize power and they must be stopped."

The Tokyo Stock Exchange: An Increasingly Global View

As managing director of the Tokyo Stock Exchange, Mitsuo Sato has helped guide the market through a period of fundamental change, both domestically and in its ties to other exchanges. After a 30-year career in the Finance Ministry, Mr. Sato took charge of member firms and international relations two years ago. He spoke with John Vincor, the International Herald Tribune's executive editor, and Tokyo bureau chief Patrick L. Smith.

Q. How extensive is the TSE's cooperation with other markets, New York and London in particular, and how important is it that internationally accepted regulatory standards be established as they are being established in banking?

A. Ties are becoming both more extensive and more intensive. We have quite a few meetings with the New York Stock Exchange to share information, not only for regulatory purposes but also on the kind of crisis we had a year ago.

We also have a multilateral forum, the Fédération internationale des bourses de valeurs in Paris, through which we can extend cooperation among exchanges. Finally, we are strengthening ties be-

tween futures and options markets and ourselves, including a surveillance agreement we recently concluded with the Chicago Board of Trade.

Q. How does the equity market fit with Japan's broader effort to deregulate the financial sector? The money markets seem to be deregulating while the stock market is going in the opposite direction.

A. The stock market can be said to be moving parallel with other markets in

MONDAY Q&A

terms of liberalization, deregulation or internationalization. I would mention in this connection the opening of exchange membership to foreign firms in 1985. We now have 22 foreign members, 20 percent of total membership, which is much higher than our counterparts in New York. London is the only market with a higher foreign component.

Q. There are 45 foreign brokers here, 22 with seats. What is the future for these firms?

A. This year we had 20 foreign applicants for membership, of which we admitted 16. I'm quite sure the remaining four will have seats in the next round.

Q. An obvious concern internationally and domestically is the insider-trading

issue. How far will new regulations go in this matter and where will the emphasis lie: Self-regulation among firms, governed by the TSE or by the Finance Ministry?

A. In my view we have two tasks. One is an institutional arrangement, including legislative provisions from the Finance Ministry so that we can investigate and prosecute insider traders and finally impose penalties. More practically, we have to erect "Chinese walls" and encourage timely disclosure among listed companies. The TSE is giving this much more emphasis in enforcing the rules.

Personally, I think the most important thing is to recognize that in Japan we should place more emphasis on social pressure and social sanctions. We are not individualistic, but collectivist. We emphasize consensus behavior, and we should take advantage of this kind of psychological climate.

Q. You brought us to the next question. A cultural dimension is important in any stock market. Do you see Tokyo as essentially Asian in character, or is it a global market?

A. The securities markets are not alone in facing this question. Everyone in Japan is facing it. As to the market, we need to place more emphasis on globalization simply because the Tokyo exchange is

now the world's largest. We are an inward-looking people, so without a conscious effort to globalize our mentality, we will not succeed.

Q. Are you satisfied with the pace at which this process is proceeding?

A. Situations change gradually. If you're asking if I'm completely satisfied, my answer is no, but we are striving.

Q. Large brokers such as Nomura will go to London and be somewhat embarrassed because competitors look upon them as being large by virtue of practices that are not acceptable elsewhere.

A. You're quite right in saying there's

at least the perception that Japanese financial institutions are over-representing themselves abroad. I again think the main issue here is the globalization of the Japanese people.

Q. The Recruit Cosmo stock scandal: Has it damaged the Tokyo market's reputation?

A. It hasn't much affected the market, at least up to now; Recruit is an over-the-counter stock, and that market has been damaged to some extent. If the same thing happened with a listed stock, the situation might indeed have been different.

A. We have to strengthen the confidence of investors in the fairness of this market.

Q. Japan is virtually alone in maintaining a system of fixed commissions.

A. It's going to take time to go to a system of completely negotiated commissions, simply because of the peculiar structure of the securities industry here. We have four big elephants, a small number of dogs and quite a number of mice. If we dared to have a negotiated system, we'd face dislocation and disruption that would ultimately be to the investor's loss.

Q. We've just had reports of declining profits among Japanese brokers. Do you see a period of consolidation coming?

A. Maybe. But profits are down 20 percent or so from last year, when performance was very good — too good, I think. It's a small setback. I see no change in the industry's basic structure.

Q. What about the unusual position occupied by the Big Four — Nomura, Daiwa, Nikko and Yamaichi? Are they too dominant in this market?

A. They account for about 50 percent of total transactions. But bigness is not always bad. We can expect good economies of scale and more innovative capacity than when you have very small mice.

But of course, we have to watch the situation with regard to, say, commission rates and the liquidity of the market.

Walesa and Sakharov Discuss Unified Action During Paris Meeting

By Meg Bortin
International Herald Tribune

PARIS — Two unofficial architects of new thinking in Eastern Europe, Lech Walesa and Andrei D. Sakharov, have held an informal meeting that could mark the start of unified action for civil rights in Poland and the Soviet Union.

Brought together by ceremonies in Paris marking the 40th anniversary of the Universal Declaration of Human Rights, the two Nobel Peace laureates met for the first time after Mr. Sakharov knocked on the door of Mr. Walesa's hotel room Saturday and went in for a 45-minute talk.

Mr. Sakharov, who won the peace prize in 1975 for his human rights activities in the Soviet Union, and Mr. Walesa, who became a laureate in 1983 for his work as leader of the outlawed Solidarity trade union in Poland, avoided suggesting that their encounter could forge a new alliance.

But Polish sources said that Mr. Walesa appealed to Mr. Sakharov to use his influence to help Solidarity, and that the two men discussed possible forms of cooperation.

The sources said that Mr. Sakharov had met Mr. Walesa's appeal with a beamed disclaimer of his power to influence Soviet policy.

"You, who head a movement of millions of workers, are asking me for help when I am isolated and alone," the sources quoted Mr. Sakharov as saying.

Mr. Walesa, on his first trip abroad since martial law was imposed in Poland in 1981, was greeted by hundreds of Poles waving red and white Solidarity banners as he traveled around Paris.

Mr. Sakharov, who was scheduled to return to Moscow on Monday after his first trip to the West, met Sunday with French scientists and friends who supported him during his seven years of internal exile in the Soviet Union.

Both men were guests of honor Saturday at a ceremony at the Palais de Chaillot marking the anniversary of the rights declaration adopted by the United Nations in Paris on Dec. 10, 1948.

Javier Perez de Cuellar, the UN secretary-general, who arrived from Oslo after accepting the 1983 Nobel Peace Prize on behalf of UN peacekeeping forces, praised Mr. Sakharov and Mr. Walesa.

President Francois Mitterrand pledged France's support for all UN work to investigate and publicize rights abuses. "For opposition feed on silence," he declared.

Mr. Mitterrand, who organized the event in what some saw as an effort to enhance France's profile as a defender of human rights, met separately with Mr. Sakharov and Mr. Walesa on Saturday.

The president later was the host at a dinner whose other guests included Hortense Allende, widow of President Salvador Allende, widow of President Salvador Allende, widow of President Salvador Allende, Chile; Yelena G. Bonner, Mr. Sakharov's wife; Breyten Breytenbach, the South African writer, and Elie Wiesel, the American writer and another Nobel Peace laureate.

Mr. Walesa also held private talks with Hans-Dietrich Genscher, the West German foreign minister, held at Mr. Genscher's initiative. Polish sources said the meeting was likely to upset the authorities in Warsaw, who have recently sought high-level contacts with Bonn, but without success.



Lech Walesa, left, with Andrei D. Sakharov and Yelena G. Bonner at the human rights anniversary meeting in Paris.

WORLD BRIEFS

Protest Strike Shuts Down Gaza Strip

JERUSALEM (Reuters) — Three Israeli soldiers and seven Palestinians were wounded in the occupied territories on Sunday as a general strike was taking place in the Gaza Strip to protest the killing of two Arab activists.

Palestinians in the Gaza Strip stayed away from work and held a public transport to protest the killing on Saturday of a teen-age demonstrator and a detention camp inmate who tried to stab an Israeli soldier.

The injuries occurred as police and troops battled protesters who hurled stones and bottles in Gaza, as well as in the West Bank and in the Jerusalem.

Soviet Plan Might Affect U.S. Missile

WASHINGTON (Reuters) — Mikhail S. Gorbachev's announcement to reduce Soviet forces in Eastern Europe could confound U.S. plans to upgrade a nuclear missile for Western Europe, a congressional source said.

Les Aspin, Democrat of Wisconsin and chairman of the House Armed Services Committee, said that the Congress, in seeking ways to reduce the federal budget deficit, might try to save some money by not funding a planned Defense Department modernization of the Lance missile. The Pentagon wants to improve the accuracy and range of the aged Lance to let it serve as a shorter-range replacement for some missiles banned under the intermediate-range missile treaty reached a year ago.

Mr. Aspin said there was a plan to put "some starting money" in modernization of the Lance into the 1990 budget and that was "the kind of thing" that the Gorbachev announcement "is going to impact." But he said he did not believe the United States would move immediately to cut its military budget or the number of troops deployed in Europe because Mr. Gorbachev said the withdrawal would take two years.

Paraguay Police Attack Rights March

ASUNCIÓN, Paraguay (AP) — Police attacked hundreds of people with electric prods and not sticks to prevent them from holding a march to commemorate the 40th anniversary of the Universal Declaration of Human Rights.

Several dozen people were reported injured at the march Saturday, including Rafaela Guzman de Laino, wife of an arrested opposition leader, Domingo Laino, and Ilde Silvera, director of a Roman Catholic weekly, Sendero. Several demonstrators were arrested.

The police prevented people from entering the national cathedral, where a Mass was celebrated before the march, and dispersed a crowd of 300 at the office of the United Nations. The groups were to have marched between the two buildings in central Asuncion, an area full of shopped

Monk Slain and 13 Injured in Tibet

BEIJING (Reuters) — A monk was shot and killed by the police and 13 persons were injured on during a protest march in the Tibet for independence, Chinese state television said Sunday.

The report said the demonstrators in the Tibetan capital, Lhasa, ignored warnings from the police on Saturday, who then opened fire. It said that 2 of the 13 wounded had slight injuries, and that one of the injured was a Dutch woman. The television said she had entered Tibet three times as a tourist and "became active after the demonstration began." The report gave no other details. Lhasa was calm on Sunday as the police imposed tight security. Westerners there said.

Papandreou's Legal Adviser Resigns

ATHENS (NYT) — The chief legal adviser to Prime Minister Andreas Papandreou has resigned and a senior banking executive has been arrested in a deepening political and financial scandal. The adviser, George Katsimatis, said Saturday he had submitted his resignation because Deputy Prime Minister Agamemnon Koutsopoulos had implied that he was involved in the scandal.

Mr. Koutsopoulos had asserted that a legal and financial adviser close to Mr. Papandreou had said that the business activities of the banker who is at the center of the current crisis were legal. He did not name the adviser. The banker, George Kokotsas, 35, fled Greece a month ago to escape trial on fraud and embezzlement charges. He has threatened to reveal the names of Greek officials who he says received money from him.

On Saturday, the police arrested Panos Vassiliou, a member of the governing Socialist Party and a former vice president of the Bank of Crete, on charges of being an accomplice in Mr. Kokotsas's activities.

For the Record

David Bloch, 24, a Wall Street investment adviser who swindled clients out of \$15 million in a fake investment scheme and spent the money on art, luxury homes and cars, was sentenced to eight years in prison on Friday in U.S. District Court in New York.

The first military satellite sent into space by Western Europe, the British Skynet 4B satellite, was placed in orbit Saturday by an Ariane 4 rocket launched from French Guiana. The rocket also put into orbit the first privately funded European satellite, Astra, which is to beam up to 16 television channels throughout Europe.

A small polyp removed from Ronald Reagan's colon was benign, and the president remains free of cancer and in "excellent health," the White House announced. The tissue was taken from Mr. Reagan on Friday in a procedure that has been done routinely since he first underwent colon cancer surgery nearly three and a half years ago.

TRAVEL UPDATE

Strikes Close 3 Paris Métro Lines

PARIS (AFP) — Three of the 13 Métro lines in Paris will be closed and three others will have reduced service Monday because of continuing strikes, a spokesman for the transit authority said Sunday. The other lines would provide normal services, the spokesman said.

About half of the trains on two suburban RER routes will be operating Monday. The lines were both closed Sunday, as were two Métro lines. Two train drivers were attacked by passengers, one Saturday, the other Sunday. After the second attack, in which youths tossed a tear-gas canister at a driver, the drivers on that line joined the strike.

Air France canceled three medium-range flights and two long-range flights scheduled for Monday. State train officials said services would function normally Monday throughout the country.

Italian air traffic controllers have called strikes for Wednesday, Thursday and Friday, but Transportation Minister Giorgio Santuz has said he will order a minimum number of controllers to work in order to avoid a paralysis of air traffic.

United Airlines, which along with other U.S. carriers recently cut-rate fares on Sunday announced lowered fares for people buying tickets a few days before flying. The fare requires purchase seven days in advance and there is a 25 percent cancellation penalty, but the nonstop Chicago-Los Angeles fare, for example, drops from \$325 to \$322 if it has been \$239 under the discount eliminated last month.

West Germany's refusal to set speed limits on all its highways is hindering EC efforts to improve road safety and contributing to air pollution, Prime Minister Michel Rocard of France said in a interview published Sunday by the West German magazine *Der Spiegel*.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Kenya, Mauritania, Mexico, Thailand, Venezuela.

TUESDAY: Bahrain, Bangladesh, South-West Africa, Nepal, South Africa.

SATURDAY: Bahrain, Bhutan.

SUNDAY: Niger.

Source: Morgan Guaranty Trust Co., Research

UN Leader, Accepting Peace Prize, Appeals for U.S. to Pay Its Share

By Paul Lewis
New York Times Service

PRAGUE — Thousands of demonstrators celebrating the 40th anniversary of the Universal Declaration of Human Rights cheered opposition leaders and chanted for freedom here in the first independent public rally allowed by Communist authorities in two decades.

The rally Saturday was sponsored by five organizations, including several that have sprung up in the last few months as Mr. Gorbachev's drive has steadily raised popular hopes for change here. The rally Saturday morning at which the Communist-backed National Front established an official human rights committee. The meeting, held indoors in an assembly hall, was attended by about 800 invited guests. Opposition representatives who sought to address the meeting were denied entrances. The demonstrators, who stood in a chilly drizzle through the one-hour rally, were led in the Czechoslovak national anthem by a popular singer from 1968 era banned from performing for the past 20 years, Marta Kubišová.

Authorities sought to counter the opposition event with their own official rally Saturday morning at which the Communist-backed National Front established an official human rights committee. The meeting, held indoors in an assembly hall, was attended by about 800 invited guests. Opposition representatives who sought to address the meeting were denied entrances. The demonstrators, who stood in a chilly drizzle through the one-hour rally, were led in the Czechoslovak national anthem by a popular singer from 1968 era banned from performing for the past 20 years, Marta Kubišová.

It's not enough to make expressions of admiration and good will for peacekeeping," he said. "We need money as well."

The assistant U.S. secretary of state, Richard S. Williamson, the Reagan administration official responsible for United Nations affairs, recently said that the failure

The secretary-general said he feared that the Nobel Peace Prize might turn out to be a "posthumous award" for the United Nations' peacekeeping efforts unless governments show greater willingness to pay for them in future.

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The award ceremony, the only one of the Nobel ceremonies held in Norway rather than Sweden under the industrialist's will, was attended by officers and soldiers from the United Nations's seven current peacekeeping operations. These are along the India-Pakistan border, in the Sinai, the Golan Heights, Lebanon, Cyprus, the Gulf and Afghanistan.

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Bush Is Facing Pressure to Reregulate

By Richard L. Berke
New York Times Service

WASHINGTON — President-elect George Bush faces growing congressional and public pressure to revitalize the federal regulatory machinery, which he himself, as the apostle of deregulation in the Reagan administration, partly dismantled.

Legislators and political analysts say the pressure is fed by a heightened public uneasiness about deregulatory shortcomings that touch the daily lives of millions of Americans: from delays at airports and strains on the national air traffic control system to the presence of hazardous chemicals in the workplace and to worries about the safety of money deposited in savings institutions.

Many legislators, especially

Democrats, have long questioned the concept of broad deregulation and are now poised to push for new controls, particularly those dealing with the savings and loan sector, the environment and public health and safety.

"There is not the enthusiasm for deregulation that there once was," said Senator Daniel P. Moynihan, Democrat of New York. "Try to get a flight to Albany from Washington, and you'll know why."

He gets agreement from his fellow New Yorker in the Senate, Alfonse M. D'Amato, a Republican.

"I don't see deregulation as a driving force anymore," Mr. D'Amato said.

The unfettering of both industry and the federal bureaucracy from red tape was a priority of President Ronald Reagan, who was elected in

1980 with a promise to "get the government off the backs of the people."

On his third day in office, Mr. Reagan appointed Mr. Bush chairman of the Task Force on Regulatory Relief. Whether Mr. Bush will seek further limits on the 40 regulatory agencies in the executive branch and the 18 independent regulatory commissions is as yet uncertain, but there is some evidence that he will not.

He did not emphasize deregulation as an issue in the presidential race, although a campaign flier did say that one of his "proudest accomplishments" as vice president has been to help eliminate needless government regulations.

On occasion, in fact, Mr. Bush seemed inclined toward some greater regulation, as when he

pledged more aggressive efforts to clean up the environment.

Another signal came in his decision to keep Treasury Secretary Nicholas F. Brady, whose appointment in August followed his role as chairman of a presidential commission that studied the stock market crash of October 1987 and urged stiffer regulation of Wall Street.

C. Boyden Gray, who served on the deregulation task force and has been designated by the president-elect as White House counsel, said he expected Mr. Bush to have a "continued commitment to minimal regulation" except where public health and safety or congressional mandate made it impossible.

Deregulation has been a great success, Mr. Gray said, adding that there was little need to mention it in the fall campaign because "the system is fairly ingrained now."

But at the same time Mr. Gray and others who fought regulations in the Reagan years now talk less of expanding that effort than of resisting congressional moves to reimpose them.

"Regulatory relief was one of the major priorities for the Reagan administration," said James C. Miller 3d, who was executive director of the deregulation task force before serving as director of the White House Office of Management and Budget.

"It certainly does not have that level of priority right now," Mr. Miller said. "We have to preserve what has been accomplished and hold the largely deregulatory gains in areas such as airlines and trucking."

But the same time Mr. Gray and others who fought regulations in the Reagan years now talk less of expanding that effort than of resisting congressional moves to reimpose them.

That sentiment is put more bluntly by William A. Nelson, a former member of Mr. Reagan's Council of Economic Advisors who is now president of the Cato Institute, a research group that promotes free market policies.

"I don't expect much deregulatory initiative from the Bush administration," he said. "Deregulation seems to be one of those things where the political costs are higher than the payoffs."

Otherwise, they fear the new president might tag them the "tax and spend" Democrats as President Ronald Reagan did.

But they readily acknowledge a trend toward regressive taxation.

"I have had recommendations from both liberal and conservative economists, and most of them are taking the deficit and tackling some other problems, like people's reluctance to save, flagging industrial investment and the associated erosion of the American economy's competitive edge."

"The emphasis used to be on redistribution, and now it is on taxation," said Alvin From, the executive director of the Democratic Leadership Council, an association of moderate Democratic legislators.

Measures that are seen as increasing economic efficiency, like consumption taxes, tend to favor the rich. Consumption taxes are thought to contribute to economic efficiency by discouraging consumption and encouraging savings.

Congress and Bush advisers are even pondering tax incentives specifically to stimulate more saving.

Since it is easier for the rich to save than the poor, they benefit most in that respect, too.

Mr. Rostenkowski said his first

and budget experts as well, contend that sooner or later new taxes will have to be imposed.

Since its inception, one of the roles of the federal income tax has been to redistribute money from the well-off to the poor. Tax revenues went to finance such pro-

NEWS ANALYSIS

grams as food stamps, welfare and cut-rate loans.

The tax code also was used as an instrument of social policy.

Lately, other compelling priorities have been intruding upon the desire for redistribution and social cohesion.

Many experts say the government's priorities must be cutting the deficit and tackling some other problems, like people's reluctance to save, flagging industrial investment and the associated erosion of the American economy's competitive edge.

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Mr. Rostenkowski said his first

choice of a way to raise government revenue to lower the deficit would be a substantial rise in the gasoline tax.

His second choice would be increasing the excise taxes on alcohol and tobacco. All are consumption taxes.

He said he did not like the idea of a national sales tax, imposed on most of the things that people buy. That tax appears to stand little chance of enactment.

Few other leading Democratic lawmakers have been willing to take such a position as yet publicly.

They say Mr. Bush will have to capitulate on his promise of no new taxes before they agree to increases.

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Flow of Global Aid in Quake Biggest Since Postwar Period

By Richard Homan

Washington Post Service

WASHINGTON — An outpouring of international assistance unmatched since the period just after World War II is being sent to the Soviet Union to help the relief effort after the earthquake in Armenia.

Three cargo planes carrying U.S. medical supplies and rescue teams,

including dogs trained to find survivors in rubble, left Washington and a base in Italy on Saturday for Yerevan, the Armenian capital.

Other plane loads and offers of aid came from around the world — including a 42-member medical team from India, 200 rescue workers and doctors from France, a donation of blood from President Fidel Castro of Cuba and a personal

message and contribution of \$100,000 from Pope John Paul II.

Israel, which has no diplomatic relations with the Soviet Union, is to provide a military field hospital, doctors and equipment, and an Israeli Army spokesman said a search-and-rescue team was in Armenia already, Reuters reported Sunday from Jerusalem.

The generous response from abroad, and the Soviet willingness to accept it, are evidence of an about-face in the Kremlin's dealings with the outside world, in the view of many observers.

As recently as the Chernobyl nuclear power plant disaster in April 1986, the Soviet Union refused offers of outside assistance, except for the aid of some American physicians who were experts in illnesses caused by radiation exposure.

This time, Soviet officials quickly made up lists of their most urgent needs, said Julia V. Taft, director of the Office of Foreign Disaster Assistance in the U.S. Agency for International Development.

The Soviets are allowing foreign relief planes to fly directly to Yerevan and to Leningrad, one of the hardest-hit cities. On Friday, the Soviet press agency Tass reported, 180 planes landed at Leningrad, where only four or five flights normally land daily.

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At one site, rescuers worked feverishly with saws, torches, hammers and crowbars to free a family of seven discovered in the rubble of a nine-story apartment building.

A Swiss rescuer, Heinz Brecht, said his team had used search dogs on Saturday to locate five survivors. But he said the work was difficult because of the scale of the destruction.

Another rescuer, Manuel Zalayan, said, "If the equipment had come on time, we could have saved many more people." Mr. Zalayan had just finished searching a flattened five-story apartment building that had housed 50 families.

Relief from abroad continued to flow in.

"The relief effort until you reach the spot here has been very good," said Sverre Kilde, a United Nations relief official. "But here on the spot there is no control."

"For those who still could be saved they would need more heavy equipment." But for many, he said, it would be too late because the equipment was arriving so slowly.

Mr. Gorbachev called "corrupt and dishonest" those who have been "putting pressure on the government" over Nagorno-Karabakh. He condemned those who said that Armenians would be sent to Siberia, apparently referring to local fears that survivors of the earthquake would be evacuated outside the republic.

"These are the kind of people who want power," he said. "They must be stopped."

Mr. Gorbachev did not refer specifically to the Karabakh Committee, an unofficial group that has led a 10-month campaign for the transfer of Armenia to the Azerbaijan-administered enclave of Nagorno-Karabakh.

Five members of the committee had been arrested on Saturday, four of them sentenced to 30 days in jail, according to Armenian sources in Yerevan. The fifth, a member of the Armenian Catholic Church fund for Armenia, the AP reported.

Britain, West Germany and Italy have also responded with aid.

led

U.S. Plane Was Downed By Polisario

Associated Press

ALGIERS — Marin said they shot down a U.S. transport plane over the Western Sahara, the belief it was a military aircraft. They regretted the incident.

The plane was shot down when a ground-to-air missile hit it over the Western Sahara, a disputed area of Morocco. An American spokesman said the plane had been shot down by a Polisario fighter.

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KABUL: Up-and-Out Deadline

(Continued from page 1)

Soviet carrier, serve Kabul. Ariana's foreign flights are limited to New Delhi, Moscow and sometimes Dubai, in the United Arab Emirates, but the Soviet Union and Dubai admit only official Afghan visitors.

The Kabul authorities have recently made it easier for citizens to receive passports. Some Afghans and diplomats speculate that Soviet advisers apparently counseled the action to rid Kabul of people of means, who may be assumed to be hostile to communism.

Others report that passports are issued in return for bribes. The fees said to be whatever the market can bear, with heavy supplements for young men nearing draft age. No one knows for sure in this city of rumors, where the small foreign community spends social evenings trading unconfirmable tales, and Afghans remain discreet.

Some Afghans are letting it be known, reluctantly or not, among their friends and neighbors that they no longer belong to the ruling People's Democratic Party.

Unlike other cities that have neared deadlines beyond which they may lie bad times, Kabul is not a place where local residents confide their worries to outsiders. With the approach of the Feb. 15 deadline,

people speak to foreign acquaintances largely in allusions and gestures that denote helplessness.

But perhaps because the long lines at food stores are evident, people do not hesitate to complain of mounting shortages of necessities.

Two-hour waits at bakeries

selling *naan*, the flat bread that is not only the staple but also increasing

the sum total of common people's diet, have become the rule.

The population of the capital, swollen by war to about 2.2 million from well under one million in peacetime, is almost totally dependent on Soviet flour. But the flour must come down the same highway that supplies all fuel for government-held Afghanistan as well as other staples and meets the needs of the remaining 50,000 Soviet soldiers.

Traffic on the road is frequently harassed by guerrilla bands that, not unlike customs authorities, admit some products and not others.

Kabul's second lifeline, the road eastward to Pakistan, has been cut for weeks, depriving the population of much of the produce that supplemented its diets in better days.

The country was not self-sufficient in food even before the war. Officials of international organizations have found much evidence of hunger and malnutrition.

Tet, or the Lunar New Year, was the surprise attack launched by Viet Cong forces against all major cities, towns and military bases throughout South Vietnam, beginning Jan. 31, 1968. The offensive brought the conflict for the first time to South Vietnam's major urban centers, and it shifted American public opinion decidedly against the war.

Mr. Whiting, who has written extensively about China's role in the war, said the Vietnamese had confirmed that there were a far greater number of Chinese advisers in the country assisting in the war effort — several thousand at one point — than had been publicly acknowledged before. He said Hanoi's acknowledgment of China's role seemed to signal Vietnamese willingness to normalize relations again with its northern neighbor, following a decade of tension and border clashes.

On the other hand, decentralization does not necessarily mean more private enterprise, because local leaders may be less enthusiastic about the market than officials in Beijing.

For example, in rural Chengde Township, a thriving area not far from the city of Suzhou, local officials have more power than they ever had before — and they are using it to block individual enterprises.

"We don't encourage private enterprises," Xia Zhongying, a local Communist Party official, said. Mr. Xia said that the township favored collective enterprises because the township has authority to collect funds from them.

Other economists and diplomats agree that decentralization has assumed a dynamic of its own, and — short of extremely harsh measures that Beijing would be reluctant to take — it will not be easy to reverse.

It is not clear how decentralization will affect development.

On the one hand, it could acceler-

VIETNAM: War Postmortem

(Continued from page 1)

were officers involved in directing Hanoi's war effort. Foreign Minister Nguyen Co Thach addressed the opening session.

There was level of mutual respect and openness that I've never experienced in another socialist country," said Professor Allen Whiting, a scholar on China and director of the Center for East Asian Studies at the University of Arizona.

He added: "I don't think anyone would have expected them to be as candid and frank as the sharing of information as they were."

He said the exchange between the Vietnamese and the Americans — all noted scholars of Vietnam and Asia from American institutions — had taken place without political rhetoric from either delegation.

"Neither side felt compelled to apologize or to boast," he said.

A full half-day of the conference was devoted to the Tet offensive. According to the American participants, their Vietnamese counterparts appeared to acknowledge for the first time that the offensive had depleted Communist military strength in the South.

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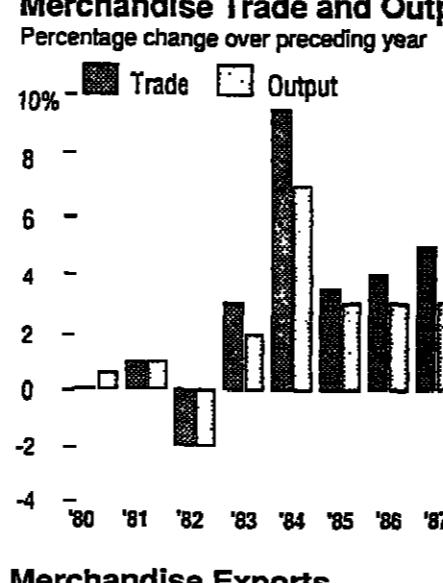
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The Accelerating Growth of Trade

Merchandise Trade and Output
Percentage change over preceding year



Exporters and Importers

Leading exporters and importers by share in world merchandise trade in 1987-1988.

Country	Imports	Exports
United States	16.5%	11.9%
West Germany	8.9	11.9
France	6.2	6.0
United Kingdom	6.0	5.3
Japan	5.9	9.3
Italy	4.9	4.7
USSR	3.7	4.4
Canada	3.6	3

OPINION

INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

Gain for Human Rights

On Saturday it was 40 years since the adoption of that most frequently flouted of United Nations exhortations, the Universal Declaration of Human Rights. Torture is still practiced by a third of the world's governments, according to Amnesty International. In too many countries, people are still locked up for speaking out. Racism, detention, punishment, denial of emigration — these and other wrongs persist.

And yet there is genuine reason to celebrate. Hardly anybody now dares say that how a government treats its people, especially dissenters, is purely an "internal matter."

Twenty, ten, even five years ago, no consensus existed on the proper place of human rights in foreign affairs. Now Soviet officials discuss the subject routinely and without defensiveness, as Mikhail Gorbachev did at the United Nations on Wednesday.

The change of heart in Washington is almost as striking. When Ronald Reagan took office in 1981, his aides viewed human rights concerns as a bleeding-heart legacy of the Carter years. The new attitude was stated by Secretary of State Alexander Haig in his first news conference: Fighting terrorism, he said, "will take the place of human rights."

To drive home its disdain, the new administration nominated as human rights chief Ernest Lefever, a crotchety ultraconservative who opposed saying anything out loud about abuses committed by "friendly"

— THE NEW YORK TIMES.

Worse Than the Debt

At first glance, most Americans are likely to dismiss Mikhail Gorbachev's proposals on the Third World debts as mere posturing. Since the Soviet Union has done little development leading, it can talk grandly about forgiving other people's loans, at little cost to itself. But in the Third World his initiative is likely to be accepted widely as a promising way out of the debt trap.

There is a dangerous flaw in the approach that the Soviet Union now suggests. It assumes, as many Americans also assume, that the deep economic trouble of the debtor countries is fundamentally caused by their burdens of debt service. If that were true, Brazil's moratorium on debt repayment last year would have left it richer instead of poorer. And Peru, which cut its repayments three years ago, would now see its economy prospering instead of collapsing.

The real trouble is that the middle-income debtors, like the big Latin American countries, have inherited social and economic structures that are poorly adapted to industrial growth in the late 20th century. The distribution of income is grossly unequal, with enormous concentrations of wealth at the top and poverty for the majority. The education systems are weak. The relations between government and private business

— THE WASHINGTON POST.

A Challenge to NATO

What a startling scene: New York police clear Broadway for a visiting Soviet leader's hurtling motorcycle, while a giant sign flashes a hammer and sickle in lights, and welcoming citizens chant "Gorby! Gorby!" Five years ago, the only way one could have imagined such a scene was if there had been a war, won by the other side.

Mikhail Gorbachev's triumph in New York, however, before he turned home to tend to earthquake tragedy last week, was of a much different sort. In a compelling speech before the United Nations he proposed, in effect, to abandon the Cold War. However great the West's doubts about Soviet motives or its fear of change, it is an opportunity that should be grasped, carefully.

Mr. Gorbachev pledged, without any reciprocal action by the West, to cut Soviet forces by about 10 percent within two years and to convert them from an offensive to a defensive posture. This is no mere gesture. Military analysis in the West differ on the degree of Soviet military superiority, but none can deny that the announced cuts will substantially reduce the Soviet capacity to launch an attack on Western Europe.

With Mr. Gorbachev's initiative and NATO's own proposal for force cuts now on the table, the nations of Europe are finally ready to address their costly and complicated competition in arms. Western democracies will need to find ways to let the Soviet leader's ideas energize but not stampede the process.

The NATO alliance often seems only to stumble from crisis to crisis, yet it has worked so well for so long that any radical restructuring is hard to contemplate. Why change it? Because a substantial reduction of forces in Europe would benefit both sides. The reduced cost of defense and the freeing of scarce, skilled manpower will

— THE NEW YORK TIMES.

Other Comment

Gorbachev Raises Hopes

The Soviet leader's moves are sometimes so bold and taken in such quick succession that doubts are created as to whether he is merely a devious political magician or a brilliant and daring political reformer. One thing is sure: Mr. Gorbachev has succeeded in dynamizing world politics, thereby opening up new hopeful developments on several different levels — world nuclear disarmament, reduction of conventional arms in Europe, termination of regional conflicts and strategic realignments in the Asia-Pacific region —

— The Bangkok Post.

with the possible by-product of restoring peace on mainland Southeast Asia.

— The Jakarta Post.

While furthering his growing reputation as a man of peace, the Kremlin chief may also have succeeded in discouraging China, Japan and European states from increasing their defense budgets. It now remains to be seen how and when he will make his intentions a reality. For his leadership skills, he deserves a standing ovation. For his performance record, the reviews aren't yet in.

— The Bangkok Post.

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The Issue in Europe Is Firstly Strategic

By Jim Hoagland

RUSSIA — The day after Mikhail Gorbachev captured the world's imagination by promising to slash half a million men from the Red Army, NATO counterattacked here by unveiling its own conventional armaments control offensive. The world promptly and correctly yawned.

Mr. Gorbachev spoke in bright colors; NATO's foreign ministers uttered mud. The Russian gave high-voltage theater and a clear message; reporters needed a slide rule to work out the tank ceilings and other arms limitations that NATO dumped in its committee-written press release.

Mr. Gorbachev, of course, does not have to contend with the pulling and hauling of getting 16 sovereign democracies to agree on a unified position.

Asking NATO for brilliance and clarity is like asking a dog not only to sing but to sing like Pavarotti. Perhaps we should marvel that the Greek, French, American and other foreign ministers can say anything at all in unison, and not dwell on how well they do it.

But the communications gap that the East is opening up over the West is the sign of a more serious problem than the advantages that a smart car always has over a committee seeking a common denominator. There is a growing confusion of goals within NATO that Mr. Gorbachev is exploring, and augmenting, brilliantly.

He is hailed on front pages as the sole architect of a new era of peace, when in fact his actions are responses to internal Soviet failures and to the West's forceful countering of the mindless Soviet military buildup of the 1970s and early '80s. (Worth noting, since it rarely is, is that the decision to counter the Soviets was essentially taken during the presidency of Jimmy Carter, then reaffirmed and carried out under Ronald Reagan.)

This is not to begrudge Mr. Gorbachev the attention his well-conceived initiatives receive, although one might hope for a little less breathlessness and misting over of the eyes among working journalists. An allied diplomat who recently toured U.S. army installations in West Germany understandably asked the unit commanders if they could imagine any circumstances in which they could use

and deterrence strategies rooted in the 1950s and '60s and expect to keep up with this resourceful Russian.

The arms reductions in Europe that Mr. Gorbachev announced at the United Nations are all unilateral moves. They do not require any discussion or negotiation with the West.

But the Atlantic Alliance should respond quickly with unilateral decisions of its own. This is an opportunity to re-examine and rationalize the nature of the U.S. military presence in Europe and to determine what concrete form the desire of Europeans to accept greater responsibility for their own defense should take.

The temptation on Capitol Hill will be to go for immediate budget savings by withdrawing and demobilizing large numbers of the 325,000 American troops stationed in Europe. This idea should be resisted; it would reduce American influence and credibility at a moment when Washington must make sure that American interests are protected in the most fundamental reshaping of Europe's security and political contours since the Cold War began.

The response to Mr. Gorbachev should be treated as a strategic rather than a budgetary opportunity. The initial focus should be on new reductions in the aging battlefield nuclear weapons, of dubious value in any case, which are stockpiled in Europe.

The United States originally introduced its nuclear artillery, land mines, short-range missiles and gravity-bomb into Western Europe to counter the Warsaw Pact's large edge over NATO in conventional forces.

Deeper unilateral cuts in this category already undertaken in a long-range NATO modernization plan would provide an appropriate, as well as bright, splash of color.

The military loss would be small.

Most of these battlefield weapons would be as dangerous to allied forces and civilians as to Soviet invaders. An allied diplomat who recently toured U.S. army installations in West Germany understandably asked the unit commanders if they could imagine any circumstances in which they could use



'Be glad you weren't running against that guy.'

Cold War: No, It Isn't Over Yet

By Stephen S. Rosefeld

WASHINGTON — Before it all together evaporates in the glow cast by Mikhail Gorbachev, let me say a good word for that much reviled phenomenon of the 20th century political labyrinth, the Cold War.

I well understand that the Cold War is commonly cited as the contradiction of everything encouraging in international affairs, as an ugly growth which, if the United States did not contribute to starting it, nonetheless stained the United States with its militarism, paranoia and evasion of humane values.

At the very least, however, this much abused term needs to be defined more precisely than it usually is.

The term is generally used to describe Soviet-American rivalry, especially the rivalry's ideological aspect and its conduct in the days when the nasty competitive side of superpower relations seemed to overwinter efforts to make things better.

But there is a strong historical case for reserving the term for the specific sequence in which the Soviet Union, which had promised at Yalta to let Eastern Europe choose its own future after World War II, instead reengaged and imposed Soviet control.

Had the West accepted the Soviet takeover, there might have been no wider unpleasantness. But the West objected. Indeed, it could not have failed to object, once it saw that the very region for whose freedom from Nazi domination it had gone to war in the first place was now coming under Soviet domination.

In what ensued, the West did not always conduct itself nobly or well; far from it. But its instinct at the start was sound. The Cold War was the massive Soviet provocation in East Europe and the West's response to it. It was a necessary response and requires no forgetfulness and no apology now.

It is interesting that the Soviets, following the East European "experiment," are finding that totalitarian socialism is a doctrine of courses and failures. This is Mr. Gorbachev's heartening breakthrough. It is what many people in the West refer to as the end of the Cold War, which, in this ideological sense, the West is now said to have "won" — although, with all of our own unfinished tasks, we should not be strutting much about it.

Almost everywhere people are turning to the economic and political ways of freedom. But it is in Sovietized Eastern Europe that the sweetest rewards of any new era are to be sought, and it is there that they are not forthcoming.

Mr. Gorbachev announces that he will thin and slice the Soviet military presence in Eastern Europe so that it will not be perceived as threatening to Western Europe. Welcome as this is, it does not of itself indicate whether the presence remaining will be threatening to Eastern Europe, which remains physically occupied and vulnerable in other ways to Soviet power.

The answer depends on whether the Kremlin will continue to insist on the maintenance of East European Communist regimes, of which some may still mature into governments that could meet a popular test and some probably won't. Whatever, as the collision of society and state in these countries tips into ever deeper crisis in their factories, streets and corridors of power, Mr. Gorbachev faces a range of choices, from detachment through manipulation to direct intervention, each with domestic and international consequences of its own.

Of course, there is still humor. Some things don't change. A member of the Knesset, a rising star of the Labor Party who wears a yarmulke, which his television friend would not, says: "Here we are, the people who gave the idea of monotheism, one single God, and we have five more in the Knesset to represent Him."

But there is also a new and deep emotional stress. Most people go on with their daily lives. Some, like a woman who works in the administration, say, "I wake up each morning with a heavy heart. What will my children become? I feel we have never had such a burden, such a crisis."

There is more pain here than makes the news.

The New York Times.

Not 'Who Is a Jew?' but 'What Is Israel For?'

By Flora Lewis

JERUSALEM — Some people here are turning to and profound questions as they watch with dismay, even disgust, the cynical bagging to form a new government. These are questions that haven't been asked for a long time. The very existence of Israel seemed answer enough.

The argument over amending the law of return to redefine who is a Jew is only a surface, symbolic part. In fact, the change demanded by ultra-orthodox parties would directly affect fewer than a dozen people a year, all women, because it is essentially about whether children of women converted under less than orthodox rules should be considered born to a Jewish mother and therefore automatically Jewish.

On one level, it is a grubby party politics to patch together a parliamentary majority.

On another, it is a matter of Israel's relations with the Diaspora, especially American Jewry, which predominantly follows reform and conservative rites. The amendment would be a way of inquiring that American Jews' diluted observance is inadequate, unworthy Judaism.

It is also about the power of the orthodoxy to dictate certain decisions to this overwhelmingly secular society.

Deeper still, it is about the nature of Israel and Zionism, about the meaning of Jewishness. The influence, numbers and vocal assertiveness of the ultra-orthodox have grown in recent years.

American immigrants are among the most strident, a sharp change from the early years when few Americans came to settle. But they were among the most modern-minded, liberal, technically qualified nation-builders.

For forces in Europe to be reduced in a way that preserves NATO's security, Moscow must make deeper cuts. Mr. Gorbachev's unilateral withdrawal of 5,000 tanks from the European central front and 10,000 in all should call for no reciprocal cut by the West. But it will open the way to serious negotiations next year on conventional arms.

Numbers count, but the military balance in Europe depends on far more than numbers. Quality of weaponry, training, morale, ability to bring up reinforcements, the disposition of forces and the swiftness of political and military responses are factors of great importance. If discussions with the Soviet Union focus on numbers of weapons alone, they will fail to provide stability. The point is to pursue agreements that reduce the risks of surprise attack.

NATO's strength has helped keep peace in Europe for almost 40 years. Changes in that strength should be made only with great caution. But Mr. Gorbachev dares to offer the alliance a radical new opportunity. The West dare not allow it to slip away.

— THE NEW YORK TIMES.

reconstruction and press for the right of elected officials to discuss such a project with mainland officials. One overly eager KMT elder entered retribution discussions on his own and was ejected from the party. Flouting the "no contact" rule, several KMT figures mingled with Chinese Communist Party representatives at the Democratic convention in Atlanta.

Cautiously, provision is being made for small groups of mainland students to visit Taiwan. Mainlanders will be allowed to visit dying relatives and attend funerals on the island. A mathematician carrying a People's Republic passport (but traveling from his post at a U.S. university) has come to teach in Taipei. And 2,000 Taiwan doctors plan to sit for a mainland examination in traditional Chinese medicine, although the exam will have no official status in Taiwan.

Students at the National Taiwan University are demanding the right to attend a Hong Kong seminar in early 1989 to explore with students across the strait "social Development and prospects in mainland China, Hong Kong and Taiwan." A two-way flow of books and reviews is in prospect.

Most visitors to the mainland come back with a vivid appreciation of the gulf between Taiwan's prosperity (\$6,000 per capita income) and the poverty of their countrymen. And even as there is a rise in confidence, some anxiety persists about Beijing's refusal to rule out force as a last resort to impose reunification.

More serious as an obstacle to improved relations is Beijing's continuing campaign to isolate Taiwan internationally. For Taiwan, which has diplomatic relations with only 22 governments, economic ties throughout the world are a lifeline.

A glimmer of hope has arisen in Beijing's tolerance of a return of Taiwan to active participation in the Asian Development Bank. Accepted by the bank under the name "Taipei, China," Taiwan delegates covered

the nameplates and wore Republic of China lapel pins. Although offended, the mainland representatives refrained from walking out.

If the "one country, two systems" principle means anything, a lenient attitude toward Taiwan's return to key international organizations would seem an obvious test.

Where will these inclinations lead?

Certainly not to reunification in the foreseeable future. But as transnationalism erodes old bonds of community, the West may well be forced to reassess its policies.

The United States is more a bystander in this courtship dance, but its main role may be a negative one: Don't trip the dancers.

The writer, Washington director of the

1989: International Investors Favor Japan and Europe

TOKYO:

Continued From Page 7
for some time: That Japan is the world's strongest economy and Tokyo its safest stock market.

With only a few weeks to go in 1988, the Nikkei 225 index has already breached the once-unimaginable 30,000 mark before profit-taking drove it back a bit.

Some observers think 1988's performance will be a hard act to follow, but local analysts and fund managers disagreed. "Everything looks very good for at least the first half of the year," notes Ed Merner, director of Schroder Investment Management. "While no one can say for sure what lies in store, the economy is expanding, and I don't see any big problems ahead."

Jeff Uscher, head of research at Smith New Court Far East Ltd., says: "1989 will be a relatively strong, buoyant market. We expect about an 8 to 10 percent rise in the index, but nothing spectacular."

A fund manager at Lazard Japan Asset Management echoes his sentiment: "We see the market remaining basically firm, continuing to be domestically led and driven by themes like consumption. We might best call it quietly bullish, with the Nikkei index rising to perhaps 33,000."

At GT Management (Japan), fund manager Marshall Auerback is bullish, but hardly quiet. "I think the TSE will go to 35,000 sometime next year," he says with confidence, and not a few Japanese analysts would call him conservative.

Such a gain is bound to attractive foreign investors. "Assuming 3.5 to 4 percent GNP growth next year, the Tokyo market will account for about 45 percent of the global equity market at the end of 1989," according to Keiji Yasuda, general manager at the New Japan Securities Research Institute.

Which stocks will benefit? Mr. Yasuda points out that domestic demand stocks have been strong market leaders for a few years and will probably continue so into 1989. "One major theme that will remain strong next year," he says, "is the Tokyo Bay Redevelop-

ment Project, a huge plan that includes several industries, such as general construction, real estate, railways, steel, warehousing, leisure and financial services."

Lazard sees potential in sectors such as retail, railways and financials.

Mr. Auerback at GT Management also thinks the big Japanese banks are worth keeping an eye on in 1989. He believes the city banks will benefit from a decline in U.S. interest rates that he believes will occur in the first half of next year. "They're very levered to any falls in interest rates and under-owned by most institutions, both domestic and foreign," he says. "In addition, the theme of financial deregulation will become much more prominent next year and the city banks stand to benefit."

Although he believes the entire sector will advance, he especially favors Sumitomo, Fuji and Sanwa. Mr. Auerback also likes the Industrial Bank of Japan. IBI was basically forced to back the reconstruction of smokestack industry in Japan about 3 or 4 years ago, he notes, and their earnings suffered. Now that these companies are turning in good earnings, IBI could be "the leading beneficiary among the banks," says Mr. Auerback.

Ed Merner sees other winners in the coming year. Thanks to strong consumer spending he says companies like Ito Yokado, a Tokyo-based retailer and parent of 7-Eleven, Denny's restaurants and CVS drugstores in Japan, should do well.

At current price levels, he believes many of the technology and pharmaceuticals are attractive. "I'd watch Dai-ichi Pharmaceutical, for example. Among the growth companies, I like Toyotomo Information Systems." Toyotomo is an Osaka-traded computer software firm affiliated with the Sumitomo Bank group.

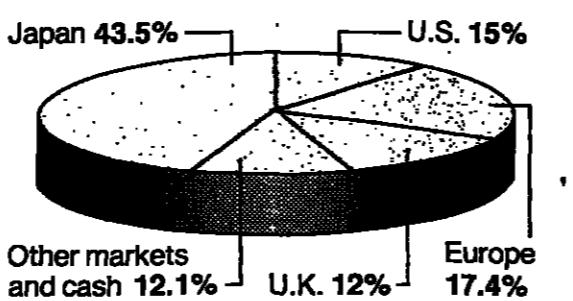
Smith New Court's Mr. Uscher adds to the list defense-related issues, "not only the big favorites such as Mitsubishi Heavy Industries, but also smaller firms like Japan Aircraft."

He also believes exporters are the best value right now, though he acknowledges that the market has not warmed to them as yet. □

David Russell



Gartmore Capital Strategy International Growth Fund



Jane Hakham, manager for global investments at Gartmore Management.

Comparing P/E

Price-earnings ratios for selected markets

Japan	54.3
United States	11.4
United Kingdom	10.6
West Germany	15.0
France	11.8
Hong Kong	11.5
Australia	10.7

Source: Morgan Stanley Capital International

NEW YORK:

Confirmed From Page 7

the U.S. dollar into another steep decline. This, in turn, would force interest rates higher and create recessionary pressures.

"With the tremendous debt at all levels of the U.S. economy, a recession could degenerate into something quite scary," laments Jean-Marie Ewellard, manager of the \$115 million SoGen International Fund.

Even if the worst scenario does not unfold, some strategists warn that wary domestic and foreign investors are likely to remain at bay until there are signals that the dollar is stabilizing. Moreover, the new Republican administration will have to demonstrate its ability to overcome the political gridlock with the Dem-

ocratic Congress to find a credible solution to reduce the deficit.

Martin D. Sass, president of M.D. Investor Services, maintains that even if the Bush administration manages to reach some kind of compromise, the process will take several months to achieve. "Investors are going to be edgy until it's resolved," he says.

Also worrisome to investors is the amount of corporate debt piling up as a result of this year's mega-deals.

Mr. Sass says, "Investors fear a glut in the junk bond financing market and a possible backlash against takeovers by the new administration." As with the deficit, Mr. Sass notes that any plausible solution will take time to develop and implement. Investors are likely to

remain nervous as long as there is uncertainty.

Fears of rising inflation alone are likely to persuade investors to favor bonds over shares, analysts say. At current levels, short- and long-term bonds offer a comparable rate of return with less risk than stocks.

"Long-term government bonds are about as close as you'll come to an investment that's like shooting fish in a barrel," says Jon S. Fossel, president of Oppenheimer Management. "The equity markets won't be compelling until those rates come down dramatically."

Moreover, many specialists expect the stock market to feel an even greater pinch as corporate earnings fail to meet expectations. Goldman's Mr. Einhorn observes that the growth rate in corporate profits has stalled and that the number of downward revisions of earnings estimates by both companies and analysts is on the rise.

"Shares tend to perform poorly in the 12-month period after a peak," he says. Furthermore, Mr. Einhorn estimates that, on a valuation basis, shares are 12 percent to 15 percent higher than they should be in relation to the current level of interest rates and inflation.

Still, even the most cautious investment advisers say there is money to be made in next year's market. Evidence of an imminent recession could be good short-term news, some say, because investors who have stayed out of the market from fear of recession will want to quickly position their portfolios to take advantage of the recession's end.

For this reason, Geraldine Weiss, editor of Investment Quality Trends, a newsletter based in La Jolla, California, expects a brief rally of no more than 20 percent in the first half of next year. However, after that she says, "The market will turn down and establish new lows, going possibly as low as 1,500 in the next few years."

Ms. Weiss advocates blue chip stocks that allow investors to collect dividends while waiting for capital gains. "These are companies that have paid dividends through so many economic vicissitudes and still reward shareholders," Bristol-Myers and Pfizer are among her picks.

Mr. Einhorn also believes that large, established companies that have had steady growth and modest price-to-earnings multiples are those most likely to withstand the coming economic environment.

He sees the Dow in a trading range of 1,800 to 2,200 for the next 12 months, with inflation rising to roughly 5.25 percent, economic growth near 2.5 percent and corporate earnings on the Standard & Poor's up about 8 percent. "It's going to be a slow year," he says, "but not necessarily recession-like."

He recommends stocks that might benefit from a slowdown and that are sensitive to interest rates. Quaker Oats, PepsiCo, Home Depot, American Express, Great Western Financial Corp. and J.P. Morgan are just a few of the companies that meet his criteria. □

Cynthia Catterson

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46	47	48	49					

GAME 4			GAME 5			GAME 6		
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Looking Beyond the Major Markets

By Marybeth Nibley

London

JANE HAKHAM has been thinking small lately. As a manager for global investments with Gartmore Fund Managers Ltd., it is her job to spot opportunity around the world and she has been particularly successful with emerging markets.

As of Dec. 2, Gartmore's Frontier Markets Trust, for which she acts as lead manager, was up 20.7 percent for the year compared with a 20.3 percent rise in the Morgan Stanley world index. That outperformance is significant given that the fact Gartmore fund does not include Japanese stocks.

"Basically, I have to do a lot of homework," says Ms. Hakham, who at 28 is the youngest—and only woman—director at Gartmore Fund Managers Ltd.

The homework required to oversee investment in new markets is complicated

A Healthier Climate for Equities

Slower Asian growth may be a blessing.

By Coleen Geraghty

AFTER sprinting through 1988, the Asian economies will slow down to a steady jog next year, a pace that bodes well for healthy advances in individual share prices and equity funds.

From Seoul to Singapore, the pace of the region beats with a strength and vitality derived from low inflation, high employment and increasing foreign investment.

"Everything looks very positive for Asia," says Ophelia Tong, assistant director of Standard Chartered Bank's "People expected a recession in America, and it never happened. They expected an export slowdown from Asia, but barring a few exceptions, that did not happen either."

The exceptions are Hong Kong and Taiwan, whose exports to the United States contracted in 1988, but whose robust consumer demand compensated for declines in external demand. In fact, analysts said the slowing growth rates may be the perfect antidote for the inflation that threatens to overheat these two markets.

Asia's four so-called Little Dragons — Hong Kong, Singapore, Taiwan and South Korea — together with neighboring Malaysia, Thailand and the Philippines, are still vulnerable in varying degrees to a slowdown in the U.S. economy. They are export-dependent, and America is their largest market, typically taking 35 percent to 40 percent of foreign shipments.

But as Americans gradually reduce their intake of Asian products, the economies of Southeast Asia, Taiwan and South Korea have been able to seek new markets. Exports from the Little Dragons to Japan, for example, are rising at about 45 percent a year.

This shift in export patterns has traumatized certain sectors, such as Hong Kong's toymakers and Singapore's electronics industry. But corporate profits will remain generally healthy throughout Asia, analysts agree. They believe stock markets will continue to recover from the effects of Black Monday as the world moves into 1989.

HONG KONG: Undoubtedly the favorite regional market of foreign investors before last year's crash, Hong Kong been unable to recover as quickly as other markets. On Oct. 19 of this year, the Hang Seng Index was 32 percent below its Black Monday level.

"Hong Kong was perhaps too heavily weighted in institutional portfolios before the crash," observed Standard Chartered's Ms. Tong.

Investors looking only at the colony's slower export pace and rising inflation might tend to shun the market, when, in fact, Hong Kong equities offer remarkably good value, she said. Based on 1989 earnings, the Hang Seng index is trading at a price/earnings multiple of about 10.

Property and management companies are particularly undervalued, given the steady rise in rental fees, brisk demand for residential flats and the record prices paid at recent land auctions, Ms. Tong said.

County NatWest's Anthony Teoh is also bullish on the property sector, favoring blue chips such Hong Kong Land, Cheung Kong,

LONDON:

Continued From Page 7

25 prompted heavy selling that wiped more than \$8 billion off London share values and stripped more than 38 points from the FTSE in the session. The index continued to sag as December opened, hitting 1,765 on Dec. 2, the lowest level since mid-September.

As if these domestic concerns were not enough, market specialists also are worried about events in Washington as the Bush administration deals with the budget deficit. How his actions are perceived on Wall Street, especially in terms of averting a crisis of confidence in the dollar, will influence

activity in London, analysts say. "In the short term, equities are weighed down by concerns about the dollar," says economist Bill Martin of UBS Phillips & Drew.

Given the economic uncertainties and the fact that higher interest rates are adding to the appeal of money market investments, analysts expect British equities to remain in a tight trading range.

Mr. Hodson sees a range of 1,750 to 1,850 for the Financial Times Stock Exchange index of 100 leading shares. The average price/earnings multiple for the 488 industrial group shares, excluding oil and gas, will be 10.5, he says, with a yield of 4.6 percent in

1989. By comparison, the measures were 11.6 percent and 4.2 percent in late November.

Chris Chaitow, a technical analyst at Morgan Grenfell Securities, says his analysis places him in best territory. He thinks London can bank on the second leg of the bear market in the closing days of November. The FTSE will decline to 1,650 sometime in the spring or summer of next year, he says.

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Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel.: 01 323 1130
Prices may vary according to market conditions and other factors.

Dec. 8

Dollar Straights

Issuer	Con	Mat	Price	Yld	Sed
	Con	Mat	Price	Mat	Trav
Australia					
Aust Com Blk	10	93	101 1/2	9.62	+119
Australia	11	95	103 1/2	9.67	+120
Australia	11	96	103 1/2	9.67	+120
Australia Cont	12	93	103 1/2	9.69	+120
Co Council	12	93	103 1/2	9.69	+120
Eurofimo	13	93	103 1/2	9.70	+120
Ex Wates Trsy	13	94	103 1/2	9.70	+120
New Zealand	13	94	103 1/2	9.70	+120
New Zealand	13	95	103 1/2	9.70	+120
New Zealand	13	96	103 1/2	9.70	+120
New Zealand	13	97	103 1/2	9.70	+120
New Zealand	13	98	103 1/2	9.70	+120
New Zealand	13	99	103 1/2	9.70	+120
New Zealand	13	00	103 1/2	9.70	+120
New Zealand	13	01	103 1/2	9.70	+120
New Zealand	13	02	103 1/2	9.70	+120
New Zealand	13	03	103 1/2	9.70	+120
New Zealand	13	04	103 1/2	9.70	+120
New Zealand	13	05	103 1/2	9.70	+120
New Zealand	13	06	103 1/2	9.70	+120
New Zealand	13	07	103 1/2	9.70	+120
New Zealand	13	08	103 1/2	9.70	+120
New Zealand	13	09	103 1/2	9.70	+120
New Zealand	13	10	103 1/2	9.70	+120
New Zealand	13	11	103 1/2	9.70	+120
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New Zealand	13	16	103 1/2	9.70	+120
New Zealand	13	17	103 1/2	9.70	+120
New Zealand	13	18	103 1/2	9.70	+120
New Zealand	13	19	103 1/2	9.70	+120
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New Zealand	13	25	103 1/2	9.70	+120
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New Zealand	13	27	103 1/2	9.70	+120
New Zealand	13	28	103 1/2	9.70	+120
New Zealand	13	29	103 1/2	9.70	+120
New Zealand	13	30	103 1/2	9.70	+120
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New Zealand	13	42	103 1/2	9.70	+120
New Zealand	13	43	103 1/2	9.70	+120
New Zealand	13	44	103 1/2	9.70	+120
New Zealand	13	45	103 1/2	9.70	+120
New Zealand	13	46	103 1/2	9.70	+120
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New Zealand	13	90	103 1/2	9.70	+120
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New Zealand	13	92	103 1/2	9.70	+120
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New Zealand	13	102	103 1/2	9.70	+120
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New Zealand	13	105	103 1/2	9.70	+120
New Zealand	13	106	103 1/2	9.70	+120
New Zealand	13	107	103 1/2	9.70	+120
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New Zealand	13	112	103 1/2	9.70	+120
New Zealand	13	113	103 1/2	9.70	+120
New Zealand	13	114	103 1/2	9.70	+120
New Zealand	13	115	103 1/2	9.70	+120
New Zealand	13	116	103 1/2	9.70	+120
New Zealand	13	117	103 1/2	9.70	+120
New Zealand	13	118	103 1/2	9.70	+120
New Zealand	13	119	103 1/2	9.70	+120
New Zealand</td					

New International Bond Issues

Compiled by Bassam Aoun

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
FIXED-COUPON						
Industrial Bank of Japan Finance	\$200	1993	9%	101.45	99.65	Yield 9.46%. Noncallable. Fees 1.65%. (BII Inv.)
BHF Finance (Netherlands)	DM 100	1993	5%	101	—	Noncallable. Fees undisclosed. (Berliner Handels.)
Credit Suisse Finance Guernsey	DM 200	1994	5%	101%	99.83	Noncallable. Fees 2%. Payable in January. (CSFB Effectenbank)
Dai-Ichi Kangyo Bank Nederland	DM 300	1994	5%	101%	99.53	Noncallable. Fees 2%. Payable in January. (Morgan Stanley GMW)
ICB International Luxembourg	DM 75	1994	5%	99%	—	Yield 5.56%. Noncallable. Fees undisclosed. (Industrialbank AG.)
Sweden (Kingdom of)	DM 200	1994	5%	101%	99.15	Yield 4.96%. Noncallable. Fees 2%. Payable in January. (Morgan Stanley GMW)
Trinkaus & Burkhardt Finance	DM 75	1993	5%	101	—	Yield 5.2%. Noncallable. Fees undisclosed. (Trinkaus und Burkhardt KGAA)
Federal Express Finance	£75	1993	12%	101%	100.13	Noncallable. Putable at 105 if issue is rated below an investment grade rating. Fees 1.65%. (Credit Suisse First Boston.)
International Finance Plc	10,000	1994	11%	99%	98.40	Noncallable. Fees 1.65%. (Morgan Stanley.)
Canadian Imperial Bank of Commerce (Singapore)	CS 75	1991	11%	101.35	100.23	Noncallable. Fees 1.65%. (Wood Gundy.)
Copenhagen (City of)	CS 65	1994	10%	101%	98.75	Noncallable. Fees 1.65%. (Deutsche Bank Capital Markets.)
Federal Business Development Bank	CS 75	1991	10%	101%	99.88	Noncallable. Fees 1.65%. (J.P. Morgan Securities.)
Thomson Brundt International	CS 75	1991	11%	101%	—	Noncallable. Fees 1.65%. (Union Bank of Switzerland.)
Alcoa	Aus\$ 50	1992	14%	101%	100.23	Yield 13.57%. Noncallable. Fees 1.65%. (Bayernische Versicherungsbank.)
Australian Telecommunications Commission	Aus\$ 50	1992	12%	97	95.20	Noncallable. Fees 1.65%. Premium with a Aus\$150 million bond issued on Oct. 22. (Santander Montage & Co.)
Eurofima	Aus\$ 45	1992	14	101%	99.65	Noncallable. Fees 1.65%. (Deutsche Bank Capital Markets.)
Finance Company of South Australia	Aus\$ 50	1991	15	101.60	100.35	Noncallable. Fees 1.65%. (Credit Commercial de France.)
Primary Industry Bank of Australia	Aus\$ 50	1992	14%	101%	99.90	Noncallable. Fees 1.65%. (Westdeutsche Landesbank-Girozentrale.)
Unilever Capital	NCS 60	1992	14	101%	100.38	Noncallable. Fees 1.65%. (Hambros Bank.)
World Bank	NCS 75	1994	14	102	100.25	Noncallable. Fees 1.65%. (Hambros Bank.)
Nippon Telegraph & Telephone	Y 50	2004	4.90	99	—	Yield 50.6%. Noncallable. Fees 1.65%. (Yamada Securities.)
EQUITY-UNLINKED						
Dashington Co.	\$100	1992	open	100	99.00	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of on expected 2550 premium. Fees 2.5%. Terms to be set Dec. 13. (New Japan Securities Europe.)
Life Co.	\$ 80	1992	open	100	99.75	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of on expected 2550 premium. Fees 2.5%. Terms to be set Dec. 12. (Nikko Securities Co. Europe.)
Nippon Stainless Steel Co.	\$100	1992	open	100	104.75	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of on expected 2550 premium. Fees 2.5%. Terms to be set Dec. 12. (Yamada Inv.)
Sumitomo Rubber Industries	\$100	1992	4%	100	—	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of 1,856 yen per share. Fees 2.5%. (Daiwa Europe.)
Tokyo Steel Co.	\$120	1992	open	100	108.50	Coupon indicated at 49%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares of on expected 2550 premium. Fees 2.5%. Terms to be set Dec. 13. (Nikko Inv.)
Associated Newspapers Holdings	£ 60	2003	8%	100	98.75	Coupon in 1993 or 101 declining to 100 in 1994. Issue is convertible into Nikko's B shares of 538 yen per share, a 15.95% premium. At issuer's option, cash can be paid in lieu of stock. Fees 2.5%. (Barings Bros.)
Dawson Finance	£ 30	2004	9%	100	—	Coupon in 1993 or 100. After 90 days each preference share is convertible into Dawson's B shares of 216 yen per share, a 19.50% premium. Fees 2.5%. (Credit Suisse First Boston.)
Smith & Nephew Finance	£ 80	2004	8%	100	99.75	Coupon in 1993 or 100. Each preference share is convertible into Dawson's B shares of 125.50 yen per share, a 14.02% premium. Fees 2.5%. (Credit Suisse First Boston.)

EUROBONDS: Flood of Equity-Linked Issues Seen

(Continued from first finance page) teened borrowers — Europa, the Australian Telecommunications Commission and the Finance Co. of South Australia — but higher coupons. South Australia's three-year notes carried a coupon of 15 percent and a premium issue price of 1.6 percent, while Alcoa's four-year paper carried a coupon of 14 percent with an offering price of 101%.

The inverted yield curve, where shortest dated paper yields more than longer-term securities, is also a feature of the Canadian dollar sector and last week also became apparent in the U.S. dollar sector.

The New York bond market closed last week with 30-year Treasury bonds yielding 8.96 percent, while 10-year Treasuries ended at 9.08 percent. At the short end of the market, the slope was still positive, but narrowing fast. A mere three basis points separated yields on two-year and 10-year paper.

Many experts predict the yield gap will also invert on these shorter-dated ranges with two-year money becoming more expensive than 10-year or 30-year funds.

The immediate cause is a hardening of short-term interest rates and a perception that the Federal Reserve Board is tightening policy in an effort to cool the pace of economic expansion and restrain inflation.

The lower yield on 30-year paper

indicates bond investors believe that the tightening of monetary policy is temporary and will succeed in nipping inflation.

"The inversion is reasonable," says Giles Keating, London-based economist for Credit Suisse First Boston, "given the determination of the Fed and its high degree of anti-inflation credibility in the market."

But the inversion of the yield curve is one more reason why borrowers can be expected to issuing straight Eurobonds. In fact, only one issue was marketed last week, for the Industrial Bank of Japan. Its \$200 million issue of five-year notes was offered to yield 39 basis points above the yield on similarly-dated Treasury paper and ended the week at a spread of 49 basis points over the benchmark rate.

As long as low-cost swaps can be arranged using Australian, Canadian or New Zealand dollars, issuers can comfortably afford not to have consider issuing in U.S. dollars.

One consequence of this is a marked shortening of maturities, for even in the more exotic markets

the inverted yield curve means long-term paper is shunned by investors.

The bulk of last week's issues were for three and four years. Only in the Deutsche mark sector was there a sustained attempt to issue

six-year bonds, and even there demand was spotty.

Sweden, Credit Suisse and Dai-Ichi Kangyo Bank reportedly swapped the proceeds of their issues into floating rate marks at levels around 50 basis points below the interbank offered rate. But the issues all traded outside fees paid to underwriters.

Bankers say that institutional investors, who can afford to evade the incoming withholding tax on West German domestic interest payments, prefer higher-yielding domestic government paper.

Meanwhile, retail investors see little attraction in Deutsche mark Eurobonds since the higher yields available elsewhere appear more than adequate to compensate for possible currency changes.

The only U.S. company to tap the market last week was Federal Express Corp., which sold \$75 million of five-year bonds. To overcome the incoming withholding tax on West German domestic interest payments, prefer higher-yielding domestic government paper.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Dec. 9

	100s	High	Low	Close	Net	Chgs		100s	High	Low	Close	Net	Chgs		100s	High	Low	Close	Net	Chgs		100s	High	Low	Close	Net	Chgs	
A																												
ADM Bd	20000	180	147	176	-	-		20000	180	147	149	-	-		20000	180	147	149	-	-		20000	180	147	149	-	-	
ABS	46	474	42	43	-	-		46	474	42	43	-	-		46	474	42	43	-	-		46	474	42	43	-	-	
ABQ Cp	431	34	32	34	-	-		431	34	32	34	-	-		431	34	32	34	-	-		431	34	32	34	-	-	
ACC Cp	110	125	110	125	-	-		110	125	110	125	-	-		110	125	110	125	-	-		110	125	110	125	-	-	
ACD	720	214	21	21	-	-		720	214	21	21	-	-		720	214	21	21	-	-		720	214	21	21	-	-	
ADT	251	21	21	21	-	-		251	21	21	21	-	-		251	21	21	21	-	-		251	21	21	21	-	-	
ADM	452	124	104	114	-	-		452	124	104	114	-	-		452	124	104	114	-	-		452	124	104	114	-	-	
ADM Tei	111	45	42	44	-	-		111	45	42	44	-	-		111	45	42	44	-	-		111	45	42	44	-	-	
ADM Cn	1019	26	19	26	-	-		1019	26	19	26	-	-		1019	26	19	26	-	-		1019	26	19	26	-	-	
ADM Cn	412	104	94	104	-	-		412	104	94	104	-	-		412	104	94	104	-	-		412	104	94	104	-	-	
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-				100	25	-	-				100	25	-	-			
ADM Cn	20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-		20000	180	147	176	-	-	
ADM Cn	100	25	-	-				100	25	-	-																	

CARS: Although the Problems Are Immense, Foreign Carmakers Find Japan Impossible to Ignore

(Continued from first finance page)
with the visible "internationalization" of the Japanese consumer, appear to have brought overseas car makers to a turning point. Different from the world's second-largest auto market after the United States can no longer be ignored, they are concluding.

"No international car maker can disregard this market," Mr. Payson of BMW said. "If you want to stay alive as an global marketer, you have to face the Japanese on their own territory."

There is a certain course that most foreign manufacturers in Japan must follow. Step one is the legal agent: Yamaha & Co., the largest local concessionaire, handles such overseas makes as General Motors Corp., Volkswagen and Mercedes-Benz, the latter two in

parallel with recently established arrangements.

Second comes the joint-venture sales company with a local auto maker: Mercedes with Mitsubishi, Ford and Citroen with Mazda.

Only when the possibilities of such links are exhausted do foreign firms make the ultimate, and most expensive, commitment: their own distribution, sales and servicing network.

The difficulties in establishing such a network are legion. Among the most onerous are training and keeping technical personnel convincing entrepreneurs that an exclusive dealership can be profitable, finding affordable, well-positioned land.

But the advantages are essential, say executives who have taken the plunge. Chief among them is the ability to respond quickly to mar-

ket dictates. In 1984, when sales of BMW's 3 series were "absolutely dead," Mr. Payson discovered the need to appeal of left-hand drive in a nation that normally uses the right-hand side. Now 80 percent of 3 series cars sold here are left-hand drive and the series accounts for two-thirds of total sales.

"Being on our own means taking our own risks, with our own ideas and our own money," says Ralph Johansson, president of Volvo Japan since he established it two years ago. "But most important, it means quicker decisions."

With 110 dealers nationwide and a 21 percent share of the import market — the largest of any foreign producer — BMW is probably the best example of what it takes to make it in Japan. Mr. Payson's strategy, indeed, has made him part

salesman, part financier, part technician and part sociologist.

The executive's first step was to assess economic and social change in Japan and position BMW as "an expression of individuality, a lifestyle product," as he puts it. He also began providing attractive credit arrangements, which are unusual in Japan, and reduced the price gap between BMWs and roughly comparable Japanese models from 100 percent to 20 percent to 25 percent.

The BMW 3 series, which accounts for 65 percent of sales, currently retail in Japan for about 3.6 million yen (\$29,350) each. Cars in the 7 series, which accounts for about 20 percent of sales, start at about 13.5 million yen.

Among other foreign makes, the Volvo 240GL model retails for about 4.4 million yen, which is

about 15 percent cheaper than comparable Japanese models. Volvo's higher priced models include the 740, which retails for 5.5 million yen and the 760GLE which goes for about 7 million yen.

Finally, there is the commitment to developing BMW's 500 employees, 494 of whom are Japanese.

Like his giant Japanese competitors, Mr. Payson recruits annually in Japanese universities, seeking 25 graduates "who are independent-minded but can be part of a BMW team."

Mr. Payson insists that this formula — marketing, financing, pricing and training — can work for other manufacturers. But he also admits that West German auto makers account for almost three-quarters of the import market partly because of the longstanding respect the Japanese have had for their craftsmanship, engineering and technology.

Where does this leave U.S. manufacturers? Many analysts insist that their best shot at the Japanese

market lies in marketing models intended for the European market or, like the popular Probe model from Ford Motor Co., developed in conjunction with a local auto maker. That is the case with Ford and Mazda.

After a late start, Ford recently expanded its dealer network in Japan by 50 percent and has increased sales almost fivefold this year, to a still-modest 2,200 units. Next year the company wants another 200 sales, increase, to 10,000 units. Longer term, it is looking for a 10 percent share of the import market.

Chrysler's entry into the market next month with five unmodified car models and 13 standard variations on the jeep, will raise the old questions for U.S. manufacturers all over again: Are American products right for the Japanese consumer? Are they made well enough?

"It's difficult to say how we're going to do," admitted Sadayoshi Hori, president of Chrysler Japan Sales Ltd.

GAF Stock Fraud Case Is First Tied to Boesky

Lawyers
NEW YORK — The first stock manipulation case based on information obtained from Ivan F. Boesky, the imprisoned former speculator, is set to begin Monday against GAF Corp. and one of its top executives.

GAF and James Sherwin, its vice chairman, were indicted in July for allegedly manipulating the price of Union Carbide Corp. shares upward in 1986 after an unsuccessful attempt to take over the company. Jury selection in the trial is scheduled to begin Monday in U.S. District Court in New York. Both GAF and Mr. Sherwin have denied wrongdoing.

The 10-count indictment marks the first time an industrial concern has been charged in the government's probe of insider trading involving Mr. Boesky.

The trial will be the government's first attempt to convince a jury of allegations stemming from the Boesky affair.

Each defendant in the case is charged with one count of conspiracy to manipulate the stock, one count of stock price manipulation, three counts of securities fraud, one count of wire fraud, one count of causing the creation of false entries in a broker-dealer's books and records, and one count of obtaining improper margin loans to finance stock purchases.

The trial will be the government's first attempt to convince a jury of allegations stemming from the Boesky affair.

Chicago Exchange Options

Figures as of close of trading Friday.

Dec. 9

Option & price	Calls	Puts	Option & price	Calls	Puts	Option & price	Calls	Puts
Dec 100 20	24	14	Dec 100 20	24	14	Dec 100 20	24	14
Dec 100 25	16	14	Dec 100 25	16	14	Dec 100 25	16	14
Dec 100 30	10	14	Dec 100 30	10	14	Dec 100 30	10	14
Dec 100 35	5	14	Dec 100 35	5	14	Dec 100 35	5	14
Dec 100 40	2	14	Dec 100 40	2	14	Dec 100 40	2	14
Dec 100 45	1	14	Dec 100 45	1	14	Dec 100 45	1	14
Dec 100 50	1	14	Dec 100 50	1	14	Dec 100 50	1	14
Dec 100 55	1	14	Dec 100 55	1	14	Dec 100 55	1	14
Dec 100 60	1	14	Dec 100 60	1	14	Dec 100 60	1	14
Dec 100 65	1	14	Dec 100 65	1	14	Dec 100 65	1	14
Dec 100 70	1	14	Dec 100 70	1	14	Dec 100 70	1	14
Dec 100 75	1	14	Dec 100 75	1	14	Dec 100 75	1	14
Dec 100 80	1	14	Dec 100 80	1	14	Dec 100 80	1	14
Dec 100 85	1	14	Dec 100 85	1	14	Dec 100 85	1	14
Dec 100 90	1	14	Dec 100 90	1	14	Dec 100 90	1	14
Dec 100 95	1	14	Dec 100 95	1	14	Dec 100 95	1	14
Dec 100 100	1	14	Dec 100 100	1	14	Dec 100 100	1	14
Dec 100 105	1	14	Dec 100 105	1	14	Dec 100 105	1	14
Dec 100 110	1	14	Dec 100 110	1	14	Dec 100 110	1	14
Dec 100 115	1	14	Dec 100 115	1	14	Dec 100 115	1	14
Dec 100 120	1	14	Dec 100 120	1	14	Dec 100 120	1	14
Dec 100 125	1	14	Dec 100 125	1	14	Dec 100 125	1	14
Dec 100 130	1	14	Dec 100 130	1	14	Dec 100 130	1	14
Dec 100 135	1	14	Dec 100 135	1	14	Dec 100 135	1	14
Dec 100 140	1	14	Dec 100 140	1	14	Dec 100 140	1	14
Dec 100 145	1	14	Dec 100 145	1	14	Dec 100 145	1	14
Dec 100 150	1	14	Dec 100 150	1	14	Dec 100 150	1	14
Dec 100 155	1	14	Dec 100 155	1	14	Dec 100 155	1	14
Dec 100 160	1	14	Dec 100 160	1	14	Dec 100 160	1	14
Dec 100 165	1	14	Dec 100 165	1	14	Dec 100 165	1	14
Dec 100 170	1	14	Dec 100 170	1	14	Dec 100 170	1	14
Dec 100 175	1	14	Dec 100 175	1	14	Dec 100 175	1	14
Dec 100 180	1	14	Dec 100 180	1	14	Dec 100 180	1	14
Dec 100 185	1	14	Dec 100 185	1	14	Dec 100 185	1	14
Dec 100 190	1	14	Dec 100 190	1	14	Dec 100 190	1	14
Dec 100 195	1	14	Dec 100 195	1	14	Dec 100 195	1	14
Dec 100 200	1	14	Dec 100 200	1	14	Dec 100 200	1	14
Dec 100 205	1	14	Dec 100 205	1	14	Dec 100 205	1	14
Dec 100 210	1	14	Dec 100 210	1	14	Dec 100 210	1	14
Dec 100 215	1	14	Dec 100 215	1	14	Dec 100 215	1	14
Dec 100 220	1	14	Dec 100 220	1	14	Dec 100 220	1	14
Dec 100 225	1	14	Dec 100 225	1	14	Dec 100 225	1	14
Dec 100 230	1	14	Dec 100 230	1	14	Dec 100 230	1	14
Dec 100 235	1	14	Dec 100 235	1	14	Dec 100 235	1	14
Dec 100 240	1	14	Dec 100 240	1	14	Dec 100 240	1	14
Dec 100 245	1	14	Dec 100 245	1	14	Dec 100 245	1	14
Dec 100 250	1	14	Dec 100 250	1	14	Dec 100 250	1	14
Dec 100 255	1	14	Dec 100 255	1	14	Dec 100 255	1	14
Dec 100 260	1	14	Dec 100 260	1	14	Dec 100 260	1	14
Dec 100 265	1	14	Dec 100 265	1	14	Dec 100 265	1	14
Dec 100 270	1	14	Dec 100 270	1	14	Dec 100 270	1	14
Dec 100 275	1	14	Dec 100 275	1	14	Dec 100 275	1	14
Dec 100 280	1	14	Dec 100 280	1	14	Dec 100 280	1	14
Dec 100 285	1	14	Dec 100 285	1	14	Dec 100 285	1	14
Dec 100 290	1	14	Dec 100 290	1	14	Dec 100 290	1	14
Dec 100 295	1	14	Dec 100 295	1	14	Dec 100 295	1	14
Dec 100 300	1	14	Dec 100 300	1	14	Dec 100 300	1	14
Dec 100 305	1	14	Dec 100					

MONDAY SPORTS

SIDELINES

IOC Tested the Drug Testers in Seoul

SEOUL (WP) — During the Seoul Olympics, several urine samples examined at the doping-control center contained massive amounts of steroids and stimulants, but no disciplinary action was taken, according to the director of the doping-control center.

Park Jong Sei, the director, said he was shocked. In an interview, Park said that after the Games he asked officials from the International Olympic Committee about the lack of action in these cases of apparently flagrant use of banned substances. He was floored by the response: the IOC planted the tainted samples to test whether the doping-control center was doing its job. Quality control, the IOC explained.

"I was mad," Park said. "When you are tested, you are not too happy."

Yankees Sell Cable Television Rights

NEW YORK (AP) — The New York Yankees became the first major league baseball team to sell all of their television rights to a cable network after announcing a 12-year deal with the Madison Square Garden Network.

The MSG Network will show 75 games in each of the 1989 and 1990 seasons. WPIX-TV, which has carried Yankees games for 38 years, will broadcast 75 games each of those two years under an existing contract. Beginning in 1991 and through the 2000 season, MSG has exclusive rights to 150 games a season.

The value of the package was not announced, but a source familiar with the deal said it was worth about \$500 million.

Romanians Upset Wales in Rugby

CARDIFF, Wales (Reuters) — Romania upset Wales in rugby Saturday, 15-9. It was Romania's first test victory away from home against a major rugby country, and a further shock to Welsh fans after overwhelming Welsh defeats by New Zealand last May and June.

Each team scored and converted a try. Gheorghe Iamăt made the difference with three penalty goals, against one by Paul Thorburn. The victory confirmed a Romanian revival signaled two weeks before when France had to struggle to win in Bucharest, 16-12.

Drug Remark Irks Griffith Joyner

LOS ANGELES (Reuters) — Olympic gold medalist Florence Griffith Joyner is considering legal action against a fellow American track star, Carl Lewis, for suggesting that she took performance-enhancing drugs, her manager says.

"Florence is not a vengeful type of individual," Gordon Baskin said. "But this has passed the threshold of no response."

Baskin said Griffith Joyner's lawyers had asked Lewis to come forward with evidence supporting the allegations. Lewis reportedly told a group of college students last week that he knew of Griffith Joyner's drug use from "some very reliable sources."

For the Record

The National Hockey League Board of Governors has approved a change of ownership of the Quebec Nordiques from the Cushing-O'Keefe brewery to a group headed by Marcel Aubut, who has been managing director of the Nordiques.

Western Michigan quarterback Tony Kimbrough blamed himself for a fumbled snap that cost the Broncos the ball and perhaps the game in a 35-30 loss to Fresno State in Saturday's California Bowl football game. (AP)

Quotable

• John McEnroe, on grass tennis courts at Wimbledon: "It's a disgrace we should have courts at our top event of the year where you can't get two bounces the same... Grass has become outdated. Unfortunately it's a time of the past." (Reuters)

ACROSS

1	2	3	4	5	6	7	8	9	10	11	12	13
1	Look fixedly				15				16			
6	High mountains				18				19			
10	Part of Q.E.D.				21				22			
14	Brother of Moses				23	24			25			
15	Scarce				26	27	28	29	30			
16	Jay — Carson's substitute host				31	32	33	34	35	36	37	38
17	Faint light				39	40	41	42	43			
18	Leave out				44	45	46	47	48	49		
19	Landed				50	51	52	53	54	55		
20	Frighten				56	57	58	59	60	61	62	
21	Short note				63	64	65	66	67	68	69	
22	Allen or Nahum of poetic fame				70	71	72	73	74	75	76	
23	Prairie flower				77	78	79	80	81	82	83	
26	Greek oracle site				84	85	86	87	88	89	90	
30	Nourished				91	92	93	94	95	96	97	
31	Fortune teller's phrase				98	99	100	101	102	103	104	
32	Transportation price				105	106	107	108	109	110	111	
36	Poker stakes				112	113	114	115	116	117	118	
40	Magic's guide				119	120	121	122	123	124	125	
43	Saw cuts				126	127	128	129	130	131	132	
44	Fencing sword				133	134	135	136	137	138	139	
45	Part of a shoe				140	141	142	143	144	145	146	
46	Bulbiflour shoot				147	148	149	150	151	152	153	
48	Maltreat				154	155	156	157	158	159	160	
50	Symbol of Judaism				161	162	163	164	165	166	167	
55	Operatic song				168	169	170	171	172	173	174	
57	Golfer's warning call				175	176	177	178	179	180	181	
58	Organic compound				182	183	184	185	186	187	188	
63	Final				189	190	191	192	193	194	195	
64	Units				196	197	198	199	200	201	202	
65	Animated				203	204	205	206	207	208	209	
66	Tessera				210	211	212	213	214	215	216	
67	Budget item				217	218	219	220	221	222	223	
68	Covers the inner surface				224	225	226	227	228	229	230	
69	Kane's "Rosebud"				231	232	233	234	235	236	237	
70	Socials				238	239	240	241	242	243	244	
71	Begin				245	246	247	248	249	250	251	
DOWN					252	253	254	255	256	257	258	
1	Droops				259	260	261	262	263	264	265	
2	Mineral powder				266	267	268	269	270	271	272	
3	Scope				273	274	275	276	277	278	279	
4	Shoot				280	281	282	283	284	285	286	
5	Catch in a net				287	288	289	290	291	292	293	
6	Fragrance				294	295	296	297	298	299	300	
7	Debussy opera				301	302	303	304	305	306	307	
8	Heavyweight champ Cernera: 1933				308	309	310	311	312	313	314	

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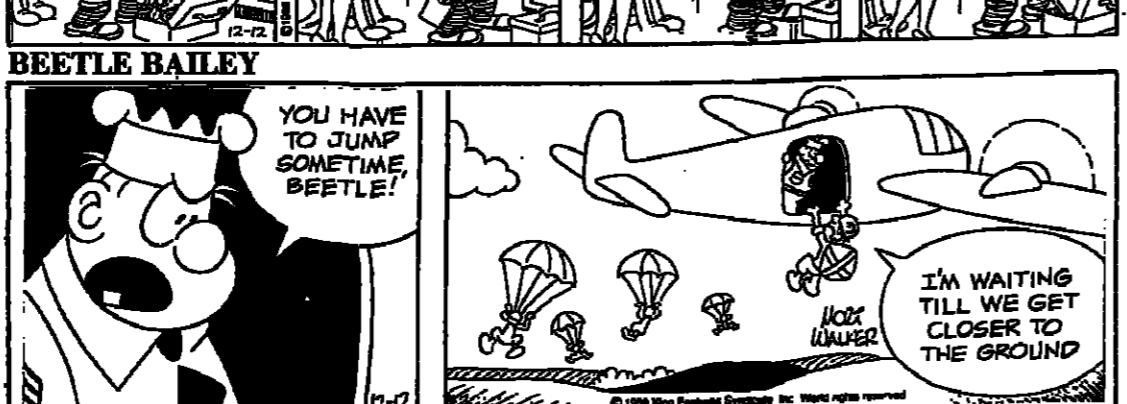
PEANUTS



BLONDIE



BEETLE BAILEY



Solution to Friday's Puzzle

COLA	PEAS	OBSESE
AMEN	LAIR	RUTHS
BIAS	ARLO	STROP
THE TYPEWRITER	LAO	SANI
YDS	INAT	NONCOM
OUTON	WAAC	SONE
KEEPER	OF THE KEYS	
UNIE	ALITA	NYLON
MAGNUM	STLO	SUE
ENID	ALS	
CONCERT	GRANDS	
MAGDA	IRIS	ERTHE
SLEEP	VINE	LAIR
SLLEDS	EGON	LYRA

DOONESURY



Nothing Free in Baseball's Free Agency

By Murray Chass
New York Times Service

• George Argyros and the Seattle Mariners give \$1.75 million for two years each to Tom Niedenfuer and Jeffrey Leonard. Gene Autry, who is dying to have his California Angels as a pennant, tried diligently to keep mammouth amounts of his money. But he failed to induce Nolan Ryan and Bruce Hurst to take \$8.8 million.

Free agency has made a comeback, showing signs of expenditure, if not length of contracts, that existed in the days before the owners conspired to keep free-agent salaries down.

In one sense, activity in this year's free-agent market has been reminiscent of a time when owners seemingly lavished a lucrative financial package on any free agent who could walk.

In 1979, for example, the fourth year of free agency, the Los Angeles Dodgers, bidding against themselves, give Dave Goltz \$3 million for six years. Then they signed Don Stanhouse for five years and \$2.1 million.

Today's market holds the record:

• George Steinbrenner and the New York Yankees gave Andy Hawkins to take \$3.6 million for three years after no one else had offered \$1.2 million.

• Henry Peters and the Cleveland Indians donate \$1.675 million over two years to Jesse Orosco.

MONDAY SPORTS

A Great 'Ali' Impersonation

Calls to Senators and the Press Sought to Help Lawyer

The Associated Press

ATLANTA — A person identifying himself as Muhammad Ali has made hundreds of phone calls to politicians and journalists seeking help on three projects, one potentially worth millions of dollars to the former world heavyweight boxing champion, according to a newspaper report.

Ali, in a face-to-face interview, told The Atlanta Journal-Constitution he did not make the calls and had no idea who did, the newspaper reported Sunday. "Why would a Black Muslim mess with politicians?" Ali said. "I don't care."

Many of the calls to journalists, the newspaper said, were arranged by Ali's attorney, Richard M. Hirschfeld of Charlottesville, Virginia. (One resulted in a story, written by The Washington Post, that ran in the International Herald Tribune on June 10.) The Journal-Constitution quoted business associates of Ali and Hirschfeld as saying the lawyer does a convincing impersonation of the former champion.

The newspaper said its attorney had sent a list of questions to Hirschfeld, including one asking whether he had ever impersonated Ali's voice to a third party.

Hirschfeld, in a letter did not answer the questions, but instead said that Ali denied making the statements the newspaper attributed to him, including the one denying that he knew anything about the calls, the paper said.

It reported that the "Ali voice" this year had called at least six U.S. senators, two Senate administrative assistants, 10 press secretaries, nine journalists, 14 senators, three Attorney General Edwin Meese 3d and Arthur B. Culverhouse Jr., counsel to President Ronald Reagan.

It said that the caller, in talking to the powerful in Washington, had pushed these projects:

• An assistant attorney general



Muhammad Ali denied calling.

Ali's job for a University of Virginia law professor, Stephen Saltzburg, who is a friend and co-counsel legal associate of Hirschfeld.

• A Justice Department investigation of a federal prosecutor in Norfolk, Virginia, who had completed a case against a former Hirschfeld business associate and was investigating Hirschfeld.

• A bill in Congress that would allow Ali to again sue for \$50 million in damages from his wrongful conviction in 1967 of draft evasion. Hirschfeld was an attorney in the first lawsuit, in 1984, which lost. The first draft of the legislation, which failed last September, was written by Saltzburg at Hirschfeld's request, according to Senator Orrin Hatch, the Republican of Utah, who proposed the bill.

In conversations with senators and journalists, the person calling was "very articulate and intelligent," knowledgeable and politically savvy on subjects as diverse as foreign policy and public housing, the Atlanta paper reported.

But Ali, 46, has been diagnosed as having suffered Parkinson syndrome as a result of his many years in the ring. In public appearances in recent years, he has spoken hesitantly, often in a slurred whisper.

Ali, accompanied by Hirsch-

feld, has made a number of personal appearances in Washington this year, visiting the offices of five senators who had spoken with "the Ali telephone imposter," the newspaper reported. During these visits, Ali shook hands, signed autographs and made small talk, mostly in whispered phrases, the paper said.

The Page 1 story in The Washington Post was based on a "rare telephone interview" that detailed Ali's stands on politicians from Strom Thurmond and Jesse Jackson to Mikhail Gorbachev.

The Post said Sunday that, on June 7, at a Capitol Hill news conference announcing Saltzburg's appointment as deputy assistant attorney general in the Justice Department's criminal division, Hirschfeld told a Post reporter that she would be allowed to interview Ali, but that the interview could not take place then.

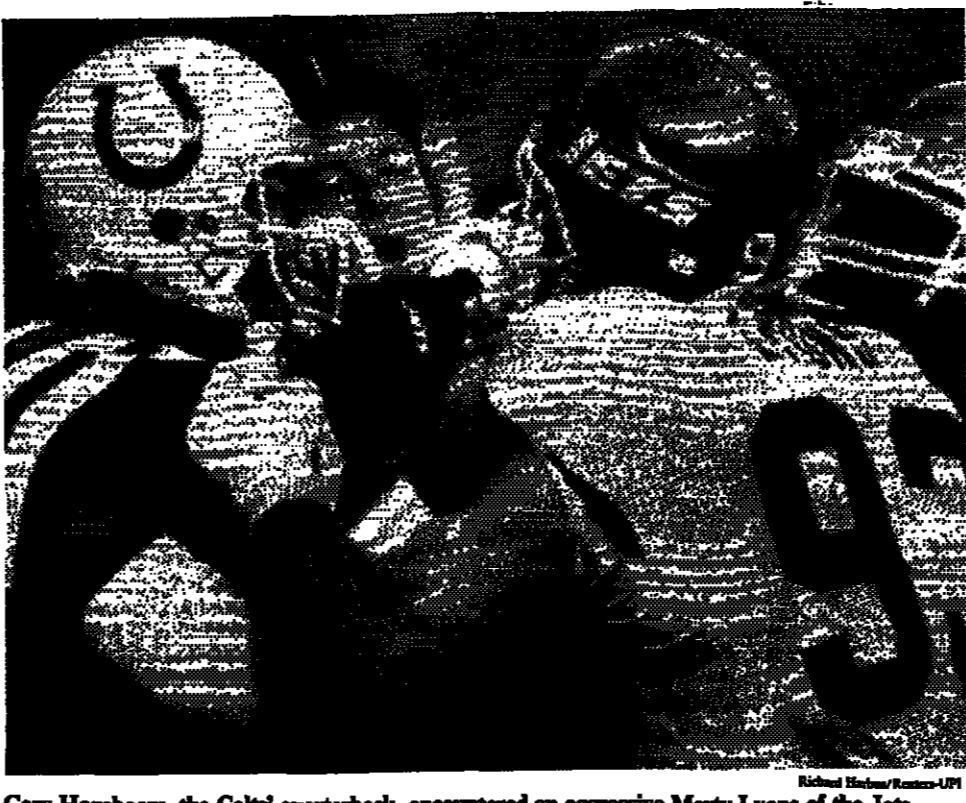
[That evening, the Post said, Hirschfeld called the reporter at home and said that Ali would be calling. Shortly afterward, a man identifying himself as Ali did call.]

The following day, the Post said, Hirschfeld assured the reporter and an editor that it was Ali who had given the interview. Hirschfeld said he would call from Chicago if there were further questions. Later that day, a man identifying himself as Ali called the Post editor and talked for about 20 minutes.]

The Atlanta report also quoted several Ali associates as saying they doubted whether the former champion could expand at length on the issues of the day.

"Ali is a simple man," said his former fight doctor, Freddie Pacheco. "If you accept him as naive, it doesn't take anything for unscrupulous people to talk their way into him, to use him as a front and use his name."

Pacheco added: "Politics? Foreign policy? He knows about foreign policy?"



Gary Hogeboom, the Colts' quarterback, encountered an aggressive Marty Lyons of the Jets.

Bengals, Vikings Halted by Upsets

The Associated Press

HOUSTON — Mike Rozier ran for touchdowns of 13, 15 and 3 yards Sunday while the Houston Oilers' defense slowed the National Football League's top offense to a crawl en route to a 41-6 victory over the Cincinnati Bengals.

The Oilers still can win the AFC Central title, which the Bengals could have clinched.

The defense didn't allow the Bengals a first down until 44 sec-

NFL ROUNDUP

onds remained in the first quarter. At the half, they had gained 44 yards and Boomer Esiason had been sacked three times and thrown an interception. By that time, the Oilers led, 24-3.

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Packers 18

Robert Towne: 'Sunrise' From a Writer-Warrior

"Movies are like wars. The guy who becomes an expert is the guy who doesn't get killed."

— Robert Towne in 1980

By Desson Howe

Washington Post Service

NEW YORK — It's 1983 and Robert Towne is still alive; this after battles with Warner Bros. David Geffen, Paramount, the Screen Actors Guild, Roman Polanski and a Los Angeles man-curius who claimed — unsuccessfully — that Towne's "Shampoo" was her "Shampoo."

Robert Towne, scriptwriter, script doctor, director, producer, visionary, romantic, chronic allergy-sufferer and dog-lover, is lounging easy as you please in an Upper East Side suite, all lanky limbs and lilting voice. His new movie, "Tequila Sunrise," has just been released. It's turned out about the way he wanted. And that makes a writer-warrior very happy.

And the director, too. This is Towne's second time at the helm (the first being his 1982 "Personal Best"), and he is largely satisfied. "There were things that I wished were in it," he says. "But I felt that I had done the important thing, and that is, gotten the tone right. That was light where I wanted it to be light and romantic where I wanted it to be romantic."

A subtle adventure for adults, featuring Mel Gibson, Michelle Pfeiffer and Kurt Russell, "Tequila" takes a nostalgic trip to Towne's old, San Pedro fishing neighborhood in California, but updates it with drug deals and slick cops, fast cars and fancy restaurants. The L.A. Vie backdrop is perfect, he says, for a "parable about the use and abuse of friendship, not unrelated to a town or an industry where there's an awful lot of intermingling of friendship and business. The confusion of what you do with who you are in Hollywood is great."

Towne knows that confusion well. If friendship in Hollywood is business as usual, Bob Towne has been in the social black — and red — for 25 years. He roomed with Jack Nicholson in younger days, then wrote winners for him in "The Last Detail," "Chinatown" and its forthcoming sequel "The Two Jakes." He scripted officially for Warren Beatty in "Shampoo," for Warren Beatty in "Shampoo."



Robert Towne (at right), who directed and wrote the film "Tequila Sunrise," with one of its stars Mel Gibson.

they shared an Oscar nomination (and unofficially for him in "Bonnie and Clyde," "McCabe and Mrs. Miller" and "Heaven Can Wait.")

Uncredited, again, Towne revved up "Drive, He Said" for Nicholson, planted the famous Brando-Pacino tomato patch scene in "The Godfather," and "Shampoo" stopped most of the spare-parts bus. But they couldn't prevent some creative battles that, for Towne, have bled into the 1980s. That Los Angeles man-curius won a \$185,000 award from Towne and Beatty in 1979, but lost it when they appealed the same year. A year later, Towne sued the Screen Actors Guild for recruiting the nonprofessional actors in "Personal Best" while planning the famous 1980 strike.

The case became moot when the strike ended. He also slapped "Best" executive producer, David Geffen, and Warner Bros. with a \$155 million suit for fraud, coercion and defamation of character. That matter was resolved in 1983 when Towne's friend Bob Daly, who had just become Warner's chairman and chief executive, ar-

rang a perfect compromise: "I promised not to talk to my lawyer not to talk to his."

That's all out of the past now, as are the other disappointments. Towne disowned "The New Centurions" (co-written with Stirling Silliphant) when it changed direction on him, and he was forced to relinquish his beloved, meticulously researched "Greystoke: The Legend of Tarzan, Lord of the Apes" to Warner Bros. because his hands were full directing "Personal Best." Disgusted with "Greystoke's" subsequent departure from his script, Towne listed his dearly departed Hungarian sheepdog, P.H. Vazak, as the author. His dog was nominated for an Oscar.

For every friendly collaboration, it seems, there has been a rift. "Shampoo" took six years to make, in part because Beatty balked over Towne's first draft. And in "Chinatown," Towne fought Polanski (and Evans) bitterly over almost everything. According to Evans, the fight was as small as Polanski's desire

to change a "No Trespassing" sign to "No Trespassing" for a visual Polish joke, and as large as changing the film's conclusion. Towne's original had John Huston's character dying instead of Faye Dunaway's. They fought long and hard. Faye died in the end, slumped on her car horn.

"Roman and I had a lot of friction at that time," Towne says. "I'm naturally more romantic than Roman."

"The Two Jakes," Hollywood's most famous unmade movie, was derailed when Towne (as director) decided Evans wasn't right for the off-leash role opposite Nicholson. When the problem became a three-way face-off, Paramount pulled the rug out.

"Lawyers in our industry invariably break more deals than they make, and the artist is the one who suffers," says Evans. "Jack, Robert and I had sat around the table and said, 'No lawyers are going to screw up this movie.' And they did just that."

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Rodolfo? That's a writer talking.

Redolent? That's a